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Economic and Social Research for Rural America

News

Agricultural and Rural Economy Division
Economic Research Service
U.S. Department of Agriculture

Spring/Summer 1990



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National Economy and History
Branch, page 7

Finance and Development
Policy Branch, page 12

Farm and Rural Economy
Branch, page 19

Human Resources and
Industry Branch, page 21

Farm Sector Financial Analysis
Branch, page 26



ARED

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News

- 2 CONTENTS**
- 3 ARED DIRECTORY**
- 4 ARED REFLECTIONS**
- 5 OFFICE OF THE DIRECTOR (OD)**
- 7 NATIONAL ECONOMY AND HISTORY BRANCH (NEH)**
- 12 FINANCE AND DEVELOPMENT POLICY BRANCH (FDP)**
- 19 FARM AND RURAL ECONOMY BRANCH (FRE)**
- 21 HUMAN RESOURCES AND INDUSTRY BRANCH (HRI)**
- 26 FARM SECTOR FINANCIAL ANALYSIS BRANCH (FSFA)**

- 28 ARED PEOPLE**
- 30 EDITOR'S NOTES**
- 31 LIST OF PUBLICATIONS**

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Cover: Cherry blossoms in the Spring at the Tidal Basin in Washington D.C.



The U.S. Capitol

ARED DIRECTORY

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Facilitating Coherent International Rural Development Policies

By Ken Deavers

Since January, I have been serving as Chairman of the Ad Hoc Group on Rural Development of the Organization for Economic Coordination and Development (OECD). The Ad Hoc Group is the latest effort by the OECD to sort out its analytical and facilitation role in rural development policy. While the organization continues to do a number of studies with a rural focus, there is no coherent program of work.



Ken Deavers

in their economies and the process of policy reform (especially in agriculture)? What level of resources and organizational approach are necessary for the OECD to begin a coherent program of rural development policy analysis? How can the OECD be an effective catalyst for countries in the process of devising more effective rural policies?

Three Recommendations. The final meeting of the Group took place in mid-May. At that meeting a report to the OECD Council (which consists of Ambassadors from the twenty-four Member countries) was discussed. The Group will make three recommendations to the Council. First, it suggested establishing a rural development "core staff" reporting to the Secretary General. The core staff will have four functions. It will develop an intellectual framework to guide and integrate the Organization's rural development analyses; it would encourage a territorial sensitivity and analytic perspective in all of the Organization's monitoring, modeling, and policy work; it would spearhead horizontal work (symposia, expert meetings, consultancies) on rural development among the Directorates; and it would synthesize results of the rural development work of the Organization and report periodically to the Council on findings relevant to rural policy formulation.

Second, the Group suggested that the OECD seriously assess the feasibility of improving the quantitative and qualitative data base on rural development across Member countries. OECD would provide the leadership in establishing a core set of rural indicators. The purpose is

to begin the interactive process of defining the concepts, measures and geography of a data set necessary to monitor rural development in Member countries and to assist in understanding the effectiveness of intervention strategies.

The third recommendation is a policy analysis "menu" for near-term work of the OECD. The international comparison of rural development problems and policy responses can identify common themes in approaches that seem to work, how and why they work, and why others do not. Such shared understanding can facilitate the adoption and adaptation of rural policies in individual countries, recognizing that each country will need to make policies within the context of its own political, social and economic structures and institutions. The four policy analysis areas considered by the Group are: mitigating the impacts of agriculture policy reform through rural development; managing the rural development process to ensure sensitivity to the natural and cultural environment; adapting institutional structures that ensure a more effective articulation and implementation of rural development policies and programs; and developing infrastructure policies that more effectively link rural people, enterprises, and institutions to development opportunities.

The OECD interest in rural development has been heightened by a Ministerial mandate (basically instructions by policy officials at the level of the Secretary of State) which instructs the Organization to consider the potential of rural policies to ameliorate the impacts of agricultural policy reform. The potential importance of rural development work in the OECD is increased by growing relations with the Eastern European countries. Many of these countries are likely to face rural adjustment problems similar to Member countries, but perhaps more extreme, as they move to more market-oriented economies. If the OECD is to provide a forum for considering possible solutions to the rural problems of these countries, the structure and program of work recommended by the Ad Hoc Work Group is critical.

The recommendations of the Group will be considered by the Council beginning in June, as they prepare the program of work and budget for the OECD for 1991. We probably will not know the final outcome until sometime late in the Fall. If the OECD does proceed with a more integrated program, it is likely that ARED will have a continuing role in providing the U.S. technical contributions to the activity.

Rural Conditions and Trends

by Sara Mazie

Rural Conditions and Trends or *RCaT*, ERS's new quarterly periodical, will be off the press soon. *RCaT* will present the most current information available on economic, social and demographic conditions in rural America. The spring issue, and first each year, will discuss a wide range of subjects including macroeconomic conditions, employment, unemployment, industrial structure, earnings, income,

poverty, and population. Subsequent summer, fall, and winter issues will serve as updates with new quarterly information on employment, unemployment, and macroeconomic conditions.

Thanks to the skill, hard work and perseverance of many ARED analysts and several people in the Information Division of EMS, we think that we have an exciting new publication that will be useful to generalists such as policy makers and their staffs, as well as specialists such as rural development officials and analysts.

To be sure that all ARED newsletter readers get to see *Rural Conditions and Trends* a complimentary copy will be sent to all those who regularly receive this newsletter. Complimentary copies will also be sent to all *Rural*

Development Perspectives subscribers, and will be available by calling 1-800-999-6779 or writing ERS-NASS, P.O. Box 1608, Rockville, MD 20850. Subscription information can be found on the back cover of this newsletter and in the premier issue that should go in the mail in June.

1990 CFC Breaks Records.

USDA contributions to the 1990 Combined Federal Campaign (CFC) exceeded \$1 million for the first time. Department contributions of \$1.063 million topped USDA's goal by 4 percent.

Among the 41 USDA agencies and organizational units, ERS ranks fifth in number of employees and total salaries (5.8 and 6.2 percent, respectively, of USDA's staff in the DC area), but ERS' 1990 CFC contributions ranked third (8.4 percent). ERS gifts totaled nearly \$90,000, \$10,000 (13 percent) over the Agency's goal, and averaged \$138 per



employee, earning ERS the Chairman's Award from CFC. All four divisions and DSC exceeded their dollar goals. ARED achieved 117 percent of its goal, up from 115 percent the previous year. ARED contained 22 percent of ERS staff and salaries, and contributed 22 percent of ERS' total gifts. Within ARED, four branches and the Office of the Director surpassed their dollar goals. Two branches and the OD had greater than 75 percent participation (the CFC target). ARED keyworkers who helped make the 1990 CFC campaign such a success were: Wendell Holmes, FRE (and ARED Team Leader); Norman Reid (OD); Lorraine Chandler and Lashawn Parker (FSFA); Gwen Coleman (FDP); Tim Parker (HRI); Charles Schmidt (RBG); and Linda Felton and David Torgerson (NEH).

OFFICE OF THE DIRECTOR

Publications

"The Rural Economy and Rural Youth: Challenges for the Future," by Norman Reid, was published in Volume 6, no. 2 (1989) of *Research in Rural Education*. The article is an abridged version of a paper Norm presented at the Conference on Youth Aspirations at the University of Maine in October, 1989. In the article, Norm outlined current trends in the rural economy and discussed their implications for the job prospects and training needs of rural youth. He also suggested some new roles that educational institutions could play to increase their impact on rural economic development.

Papers Presented & Meetings Attended

Ken Deavers delivered the Hibbard Memorial Lecture at the University of Wisconsin Friday, April 20. The title was, "Rural Vision/Rural Reality: Efficiency, Equity, Public Goods and Public Policy."

Dick Long attended a meeting of the Canadian Agricultural and Rural Restructuring Group (ARRG) February 8 and 9 in Ottawa, Canada. ARRG is a consortium of university researchers who are performing and sponsoring research similar to the rural development research in ERS. Long provided a comparative perspective and shared some past U.S. experience on the planned Canadian work and learned more about upcoming ARRG work. Mr. Ken Donnelly, senior policy advisor to Employment and Immigration (E&I) Canada, met with Long for a detailed briefing on ERS's rural development research at a meeting held in Washington on February 20.

Norman Reid presented a paper at the American Educational Research Association conference in Boston, "Education and Rural Development: A Review of Recent Evidence," which explored the linkages between education and rural economic development. In the paper, which drew heavily on the work of Kevin McNamara (U of Georgia) and Brady Deaton (U of Missouri) and research by David McGranahan and Linda Ghelfi from the HRI Branch, Norm

argued that the assumption of human capital theory that the paybacks to education give individuals an incentive to invest in their own education do not always apply in rural settings. The spillovers of locally-financed education to other jurisdictions create a disincentive for many rural areas to spend their local tax dollars for education. And individuals living in areas (such as Appalachia) where there are no local examples in the workplace of the income benefits from education may perceive no payoff and therefore be led to underinvest in their own education. As a result, there is no simple cause-effect relationship between education and rural economic development.

Norman Reid presented "Economic Change in the Rural U.S.: A Search for Explanations," at the Seminar on Europe 1993: Implications for Rural Areas, sponsored by the Arkleton Trust and held at Douneside, Aberdeenshire, Scotland, in March. Norm described recent unfavorable rural economic trends and then reviewed available evidence concerning possible causes, including foreign competition in manufacturing, deregulation in transportation, banking, and communications, education and labor market changes, declining demand for natural resource products, and shifting importance of agglomeration economies. He concluded with observations about several areas of sensitivity for rural areas in the 1990's. The paper will be published as part of a proceedings at a later time.

At the National Association of Development Organizations (NADO) annual legislative seminar **Sara Mazie** spoke about current economic and demographic conditions in rural areas. She noted how several sectors of the rural economy were hard hit by developments of the 1980's, giving some reasons why it took rural economies longer than the urban economy to recover from the recessions early in the decade.

Sara Mazie made a presentation on the changing rural economy at an Illinois state conference attended by local officials, state government staff and others interested in rural development. She discussed how the rural economy has evolved during the 1980's. **Sara** also gave a seminar on the subject to a group at the University of Illinois. She was also interviewed by Illinois Public Television.

Briefings & Miscellaneous

Dick Long spoke about the current sectoral and demographic configuration of rural areas to a Nevada delegation visiting the State's Washington Office on March 5. A two hour discussion of the "rural frontier" (remote and very sparsely settled rural areas) followed.

Sara Mazie, assistant director for Rural Development Situation and Outlook, addressed participants in the National Center for Food and Agricultural Policy's 1990 Leadership Development Program, sponsored by Resources for the Future, in Washington, March 13, 1990. She discussed recent trends in rural income and employment, the industrial structure of rural areas, and how this structure contributed to relatively poor economic performance during the 1980's.

She concluded that the future of rural areas seems to depend heavily on their ability to become linked to urban areas, to overcome the disadvantage of isolation.

Sara Mazie was on two panels at the Center for Agricultural and Rural Development conference where she talked about the relationship of the agricultural sector to the rural economy, the potential for agriculture policy to promote rural development and the recent performance of the rural economy. The meetings featured the presentation of the Food and Agricultural Policy Research Institute's new baseline projections for the U.S. agricultural sector and international commodity markets.

Norman Reid chaired a task force to draft a mission statement for USDA's rural development activities. The statement calls for USDA to focus on improving rural employment, incomes, and wellbeing by investments that enhance the ability of rural areas to be economically competitive. The statement, which as been endorsed by the Policy and Coordinating Council of USDA, was forwarded to Secretary Yeutter. Once approved, it will become the basis for more specific goals and objectives for the Department's rural development programs which will be developed during 1990.

Norman Reid and Martha Frederick (HRI) prepared a statistical profile of the rural economy, *Rural America: Economic Performance, 1989*, which presents major statistical indicators of rural economic performance. The report, which was released by the Secretary of Agriculture in announcing the President's rural development initiatives, received wide distribution in unpublished form. It will be published later in 1990 as an Agriculture Information Bulletin.

IN THIS ISSUE

RDP

The February 1990 issue of *RDP* contains:

"The Changing Rural Village," by Harley Johansen and Glenn Fugitt. Rural villages used to be nice places to live and work. That's not so true any more. Now many are just nice places to live. Look for continuing declines in commercial activity, including service, retail, and manufacturing firms.

"After the Farm: The Experience of Southwestern Wisconsin," by Susan Bentley and William Saupe. More than one in five Wisconsin farm operators left farming during the "crisis" years of the early to middle 1980's. Yet nearly two-thirds left for reasons other than financial stress. Most of those who left farming for other jobs improved their household incomes substantially without having to leave their community.

"Retirement Counties' Strengths and Weaknesses," by Richard Reeder and Nina Glasgow. By some measures, growth in many retirement counties so far exceeds the nonmetro average that it rivals that of metro areas. Yet

some of that success may have come at the cost of development in the future. Particularly worrisome: lags in education and roadbuilding.

"Rural Bond Issues Weather Tax Reform," by **Clifford Rossi**. Many provisions of the 1986 tax reform law affected small-town and rural government bonds. Some thought the new law might damage their fund-raising ability, but that's not the case so far.

"Nonmetro Areas Depend on Transfers," by **Robert Hoppe** and **Linda Ghelfi**. Transfer payments, like Social Security, accounted for nearly 20 percent of nonmetro income in 1987. That translates to more than \$2,200 per person, more than half of which came from retirement and disability programs.

"Rural Consumer Debt: Is Recent Growth a Problem?", by **Donald Lerman**. Rural Americans went on a borrowing binge as rural debt grew by 14 percent per year between 1983 and 1986. High-debt households grew to 15 percent of the rural total by 1986. That "high-debt" label is kind of misleading, though. Purchase of a single item, like a car, will push most households into the "high-debt" category.

Rural Indicators: "Does Your State Really Need a Rural Development Policy?", by **John Redman** and **Thomas Rowley**.

Book Reviews and Short Subjects, including "Swedish Crayfish in California?"; "Woodman, Spare That Barn"; "Rural Areas' Housing Problem an Income Problem Too"; "Tourism a Flawed Development Strategy?"; "Small Railroads Important Rural Marketing Link", contributed by **Louise Stutzman**; and "Rural South: Prescription for Change," contributed by **Louise Stutzman**.

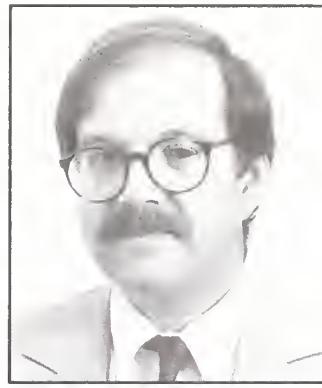
Rural Development Perspectives

Articles in upcoming issues of *RDP* include:

- Nonmetro population change in the decade of the 1980's.
- The effects on nonmetro wages of the shift in employment from manufacturing to services.
- Characteristics of the nonmetro working poor.
- Financing rural elementary and secondary education.
- How changes in sources of local income affected retail sales in rural communities.
- Foreign investment and industrial linkages in nonmetro areas.
- Rural displaced workers fare poorly.
- Economic development efforts in small towns.

Personnel

Norman Reid was awarded the ERS Administrator's



Norman Reid

Special Merit Award "for outstanding contributions to the Secretary's Task Force on Rural Revitalization." The award recognizes Norm's participation during 1989 in work that led to "*A Hard Look at USDA's Rural Development Programs*," the report of the Rural Revitalization Task Force which recommended a sharper focus to USDA's rural development programs and outlined steps USDA could take to implement it.

NATIONAL ECONOMY AND HISTORY BRANCH

View from the Branch

by Tom Hady

Elsewhere in this section are reports of two papers at the Southern Regional Science Assn. meetings, one by **Karen Thierfelder** and **Ken Hanson**, and the other by **Andy Bernat** and **David Kraybill**. Together with early work by **Karen Hamrick**, who joined us in January especially to study the area, and **Dave Torgerson**, these give indication that our efforts to model linkages between the general economy and the rural economy are starting to bear fruit.

I have discussed development of computable general equilibrium (CGE) models in this space before. One of the logical directions to develop that work is to model impacts on rural areas. Having estimated the impacts of a new trade policy on the U.S. economy, for example, it would be useful to be able to say how those effects would look in the rural Midwest. The two SRSA papers are a step in that direction. While they don't get us to the point of regional CGE models, they describe ways of allocating the results of the CGE analysis among regions.

As we have improved our basic macro models, much of the research of the macro section has gone into linkages between the U.S. general economy and the international economy, on the one hand, and our own agricultural and rural economies, on the other. **Jim Malley**'s staff paper on the small global model, discussed in the *Macroeconomics Section* below, is a major step forward in integrating with the international sphere. **John Kitchen**'s staff paper, "A Simple Empirical Model of Macroeconomic Effects on Agriculture: An Asset Market Approach" (*AGES 89-21*), models the connections to the agricultural sector. Meanwhile **Hamrick** and **Torgerson** are looking at the short- and long-term connections between national economic change and rural employment, as a first step in developing econometric models of the connections.

between national and rural economies, at both the U.S. and regional levels.

Will we ever integrate the CGE approach of NAA and the econometric approach of the Macro section? Some day, I hope so. For the short run, though, I would be happy to have two, well-developed models running side-by-side, and learn from using them the strengths and weaknesses of each for understanding the effects of national level economic policies on the rural economy.

Branch Activities & News

CONFERENCE ANNOUNCEMENT AND CALL FOR PAPERS

Ralph Monaco and Karen Hamrick are planning the **Third Annual Federal Forecasters Conference**, which is being co-sponsored by ERS. The conference will be September 6, in the USDA South Building. The theme of the conference is The Role of the Federal Forecaster; speakers will examine our unique role within the Federal Government, including the evaluation of federal forecasters' products. Concurrent sessions are planned for discussion of forecasting methodologies and forecast evaluation, and for expansion of information networks. For registration information or for information on giving a presentation, contact **Karen Hamrick, 202-786-1782**.

Tom Hady attended "Working Together for Rural Development", a meeting of the North Central Association of RC&D Councils in Minneapolis, Feb. 27-Mar. 1. Perhaps partly because of the RC&D connection, ground water quality was the issue most often mentioned. Rural business development, solid waste & recycling and finding non-traditional sources of financing also were discussed.

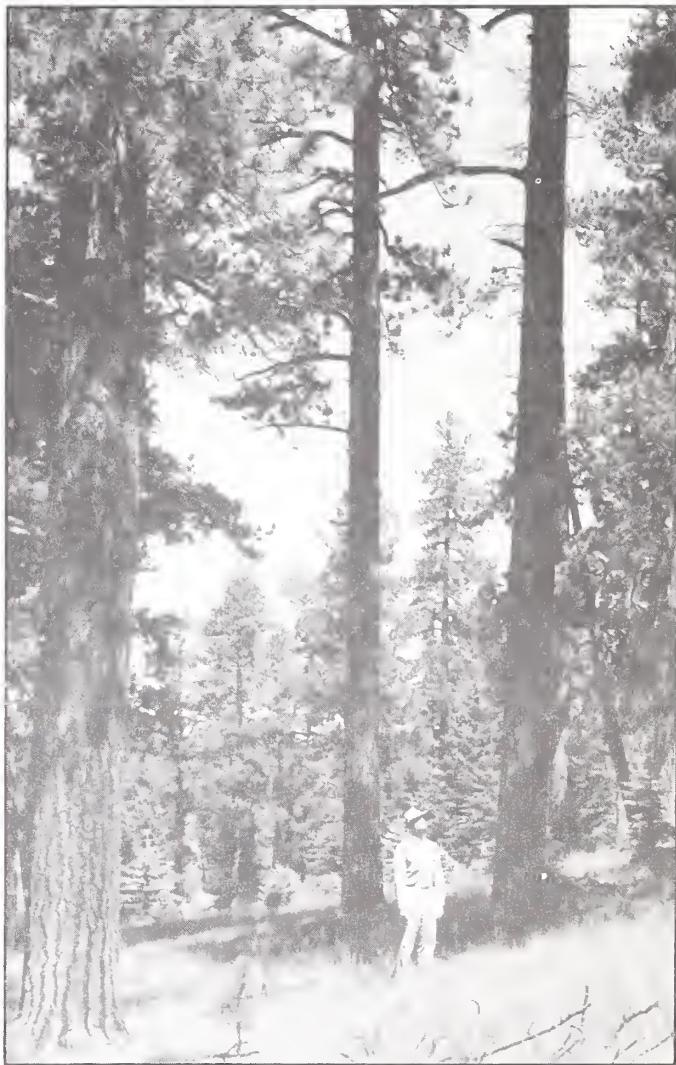
Agricultural and Rural History Section

Publications

Jane Porter's article on the effects of drought on rural life, "Droughts Influence Settlement Patterns, Both Yesterday and Today," appeared in the October 1989 issue of *Rural Development Perspectives*. In it, Porter argues that undiscerned optimism about rainfall led to the settlement and cultivation of the Great Plains. When drought came, many rural areas were devastated by economic and population losses. This cycle has been repeated several times over the last century, the latest being the drought of 1988. Conservation measures like shelterbelts have helped mitigate the effects of drought, but many of these were destroyed in the 1970's because of center-pivot irrigation and the drive for all-out production. Lowell Dyson contributed a section in the same article on federal drought relief policies.

Papers Presented & Meetings Attended

USDA historians put together a session on "Policy-Making and Administration in a Federal Agency: U.S. Department of Agriculture" at the Organization of American Historians meeting in Washington, March 23, 1990. Chaired by former Agricultural History Branch Chief Wayne Rasmussen, the session included papers by **Doug Bowers** and **Dennis Roth**. **Bowers'** paper, "Agricultural Policy-Making at USDA: From Kennedy to Reagan" discussed how major farm programs have been fashioned over the past 30 years. Despite growing complexity in the policy process and the entry of many new interest groups into the arena, price support policies are still determined mainly by the agricultural sector, working today mainly through the congressional agriculture committees. **Dennis'** paper, "Wildlife Management in the Forest Service," traced the history of Forest Service wildlife management policies and practices from 1905 to the present. The agency was a pioneer in the field but lost its leadership role after World War II. In recent years, public pressure and legislation have resulted in greater resources and attention being given to wildlife management.



A U.S. National Forest.

Joel Schor has been working in a number of ways on the celebration of the centennial of the 1890 land-grant institutions. He advised Spencer Crew and the Smithsonian Institutions' staff in selecting materials and themes for the exhibit honoring the centennial which opens this month. He has been active in reviewing several manuscripts on the subject, including an overall history of the 1890 schools and one on the history of agriculture and the 1890's being written under contract for ERS by Ledell Neyland of Florida A&M University. Joel has also attended several meetings of the Association of Research Directors of the 1890 colleges.

Vivian Wiser, Lowell Dyson, and Jane Porter attended the D.C. Historians' Luncheon spring gathering at George Washington University April 20. This semi-annual affair provides an opportunity for historians in the D.C. area from government and academia to exchange views.

Upcoming Events

ERS is cosponsoring a meeting of the Agricultural History Society at Florida A&M University in Tallahassee, Florida, June 26-29. The subject is "History of 1890 Land-Grant Colleges and Universities: A Centennial Symposium." **Joel Schor** will be presenting a paper on the place of black farmers in American agriculture.

Personnel

Jane Porter retired in January after a career spanning nearly a half century. Jane joined the Bureau of Agricultural Economics' Division of Statistical and Historical Research in 1942. After taking a leave of absence from 1945-1961 to raise her family, Jane returned to the new Economic Research Service in time to co-author the Agricultural History Branch's history of USDA, *Century of Service*. Since 1961 Jane has been involved in a great number of historical research projects, especially those related to foreign agricultural development and trade. Most recently she has published two papers on the history of drought in the U.S. Besides her research and writing, Jane has been a vital part of the Department's institutional memory, a veritable cornucopia of knowledge on nearly every aspect of agricultural history and USDA policy. Since retirement, Jane has been dividing her time between Virginia, Florida, and Maine. But, fortunately for the Section, she has returned frequently to lend her advice and counsel.

National Aggregate Analysis Section

Publications

An article by Fohlin, C., Robinson, S. and Schluter, G. entitled "Terms of Trade and Factor Commitment in Agriculture," appeared in the fall issue of *The Journal of Agricultural Economics Research*. In the article the authors assert that U.S. agricultural economic growth in this century

has been characterized by a slow rise in the demand for food and faster growth in farm output compared to nonfarm productivity. In such an environment, one expects the size of the farm sector to decline as a share of the rest of the economy. What is not clear is the effectiveness of the price system in signaling the appropriate resource adjustments or of the resource market in responding to available signals. The authors find that even distortions from farm programs have not offset the long-term trend of declining terms of trade. Labor and capital markets respond, albeit imperfectly and slowly.

Caroline Fohlin is a former employee with ERS, NAA and Sherman Robinson (University of California-Berkeley) currently has a cooperative agreement with ERS.

"Poultry Related Price Transmissions and Structural Change Since the 1950's," by Babula, Ronald A., and Gerald E. Schluter will be published in the winter edition of *The Journal of Agricultural Economics Research*. The authors use a vector autoregression analysis of corn price, farm poultry price, and consumer poultry (meat) price for two periods, a mid-50's to late 60's period and an early 70's to mid-80's period. They explored the dynamic aspects of the estimated price transmission models for these two periods. Evidence suggests a change in the dynamics of these price transmissions between these two periods. Price-increasing shocks to corn production are now more likely to be passed on, as price increases to consumers. Further, corn has become an increasingly important factor in explaining poultry price and substantial market change has occurred in the poultry industry at the retail level. The report was coauthored by David Bessler of Texas A & M University.

Babula, Ronald A., Robert F. Romain, (Laval University (Quebec)) and Gregory R. Gajewski (CED), coauthored "U.S. Canada Corn Broiler Dynamics," in the April issue of *Agricultural Outlook*. In it the authors summarize the results of the presentation made at the Southern Regional Science Association Meetings which is discussed in the *Papers Presented and Meetings Attended* section below.

Papers Presented & Meetings Attended

At the Twenty-ninth Annual Meeting of the Southern Regional Science Association, National Aggregate Analysis section personnel presented or co-authored five papers, discussed three papers, and chaired two sessions. In addition, one paper was presented by Maureen Kilkenny on material developed under a cooperative agreement with NAA.

Ken Hanson presented, "National Level SAMS and CGE Models Emphasizing Agriculture". Ken reported the current status of ERS's modeling effort to develop a Computable General Equilibrium modeling capability and of the effort to maintain a Social Accounting Matrix (SAM) data base for researchers interested in developing their versions of this type of model.

Ronald Babula presented "A Comparison of Dynamic Corn-Broiler Price Relationships for the United States and Canada." The paper was coauthored by Robert Romain (Laval University (Quebec)). Ronald discussed monthly vector autoregression models of corn, farm broiler, and retail broiler prices that were built for the U.S. and Canada. To simulate feed cost increases from the U.S.-Canadian Free Trade Agreement (FTA), a one-time corn price increase was imposed on each model, and the impulse response patterns of farm and retail broiler prices were examined for the U.S. and Canada, and then compared. Given an FTA-induced rise in broiler feed costs, U.S. broiler price increases would occur immediately; would last 30-32 months; and would last longer and be more volatile than the Canadian broiler price responses.

Ron also coauthored, with Ted Covey (FDP), a paper entitled "Agricultural Interest Rates and Inflationary Expectations" which is discussed in the *Finance and Development Policy Branch* section of this newsletter.

Karen E. Thierfelder presented "Assessing The Regional Impact of Tariff Policies." Karen's paper analyzes various protection scenarios at the regional level. Coauthored by Kenneth Hanson, the paper uses a "top-down" approach to distribute the national results from a computable general equilibrium (CGE) model to metro/nonmetro areas in the United States and to metro/nonmetro areas in the 10 USDA farm producing areas. The results suggest that changes in the U.S. tariff structure can lead to large changes in regional employment.

Andy Bernat discussed "Regionalizing the Results of a National-Level Policy Model". The paper presents the balanced national-regional method of estimating the domestic regional impacts of changes in national level policies. Because of its minimal requirement of regional data, the method is a low-cost and rapidly implementable way of obtaining regional impact estimates.

The paper demonstrates the use of the balanced national-regional method of determining the regional impacts of alternative protection strategies. Regions with a large share of the protected sector's output are in a position to gain by selected protection. The potential gains are directly related to relative importance of the sector within the region and the degree to which the sector is linked to local goods and service producing sectors. The paper was coauthored and is the product of a cooperative agreement with David Kraybill of the University of Georgia.

In addition, Gerald Schluter organized and chaired a session, "SAMS and CGE Models in ERS-USDA" and discussed three papers, William Edmondson chaired a session, "Input-Output Analysis I" and Maureen Kilkenny (Pennsylvania State University) presented a paper, "Transboundary Capital Flows in Multiregion SAMS."

Briefings & Miscellaneous

Bill Edmondson met with Mark Planting from the Bureau of Economic Analysis, United States Department of Commerce to provide and discuss a bridge of harmonized foreign trade codes assigned to selected input-output commodity codes. The U.S. Census now uses a new set of harmonized foreign trade codes for U.S export and import data. A bridge table maps particular trade codes to the sectors in the input -output accounts which produce these products and services domestically or, for noncompetitive imports, those sectors which use the imports as inputs. The National Aggregate Analysis section has two separate interests in this exercise. As a contributor to the BEA input-output accounts, there is an interest in correctly mapping the codes to sectors. As a user of the I/O model to estimate annually the output and employment effects of U.S. agricultural trade (as reflected in ERS's *Foreign Agricultural Trade of the United States (FATUS)* data) the interest is in a consistency between the export and import accounts in the base I/O table and the *FATUS* data. Edmondson found inconsistencies between input-output and ERS classification of tradeable commodities. These were mainly in unmatched coverage of many minor commodities between the two and in the area of what is and is not a non-competitive import. Since BEA is now developing their bridge to the coding scheme, Bill's identifying of omissions, misspecifications, and inconsistencies may have the practical effect of bringing estimation of net agricultural exports by the two agencies closer together.

Macroeconomics Section

Research & Analysis

Karen Hamrick and **David Torgerson** have been continuing research on the macroeconomic linkages to nonmetro unemployment, using both the annual BLS data and the quarterly CPS data.

Publications

Paul Sundell's staff report "An Examination of Federal Reserve Behavior: An Applied Reaction Function Approach" (*AGES 9029*) was released in April. Federal Reserve behavior and interest rates are crucial determinants of the general well-being of the agricultural sector. This report investigates the factors that have influenced Federal Reserve policy and ultimately the level of interest rates. The author develops a partial adjustment model for the Federal funds rate and documents improved forecasting performance in comparison to competing models on an in-sample and out-of-sample basis. The author attributes the improved forecasting performance to the inclusion of international variables, a domestic banking default risk proxy, and slope dummy variables that capture shifts over time in the Federal Reserve's reaction to the unemployment rate and deviations in M1 from target.



Grain storage and transport facilities

In March Jim Malley published an ERS Staff Paper (*AGES 9011*) entitled, "The Specification, Estimation, and Simulation of a Small Global Macroeconomic Model". The report describes the structure and simulation properties of a small global macroeconomic model (SGM). Simulation experiments comparing SGM results with those of other world models suggest that SGM is a viable tool for macroeconomic policy analysis.

In the Winter issue of the *Journal of Agricultural Economics Research*, Jim Malley published an article entitled, "Dynamic Specification in Econometric Estimation".

Papers Presented & Meetings Attended

Paul Sundell presented a paper, "Junk Bonds: What Price for Risk?" coauthored with Mark Denbaly, at the Southern Regional Science Association meetings in Washington DC. Since 1977, high yield bonds have become an important source of capital and have been used by many agricultural marketing firms. The growth of this type of financing has been controversial in regards to market performance and its

vulnerability to collapse during a widespread economic downturn. To assess these concerns, Mark and Paul have developed a model of high yield bond returns to address three questions: (1) to what extent is the ex post return in the junk bond market attributed to risk caused by unexpected macroeconomic developments? (2) what is the size of the required risk premium associated with those economic surprises? and (3) to what extent is the movement in return accounted for by unforeseen events specific to the junk bond market?

The model, based on the Arbitrage Pricing Theory, revealed that on the average, 63 percent of junk bond returns in excess of the risk-free rate over 1977-88 were caused by unanticipated changes in income, inflation, interest and exchange rates, consumer sentiment, and other macroeconomic news represented by Standard & Poor's 500. Second, on the average, investors required and earned 3.6 percent annually as the risk premium attached to the unexpected economic events. Finally, at most 37 percent of movements in returns were caused by the LTV bankruptcy, the Ivan Boesky insider trading episode, and the indictment of junk bond "creator", Michael Milken.

Briefings & Miscellaneous

Ralph Monaco spoke at the Northeastern Dairy Conference in Rochester New York on April 2 on the General Economic Outlook. Monaco suggests that 1990 could see faster growth than many private forecasters predict, and that after some unusual events early in the year, inflation could moderate substantially. Finally, he suggests that recent political liberalization in Eastern Europe could have a profound positive impact on U.S. exports over the next several years.

The Macroeconomics Section sponsored a seminar by four analysts from the Central Intelligence Agency on the issue of the Economic Implications of Political Liberalization of Eastern Europe, which was attended by about 50 ERS analysts. In general the CIA analysts suggested a positive impact on world growth, with West Germany receiving the greatest benefit. A major issue discussed was the implications of different conversion rates between Eastern European currencies and major developed country currencies.

Members of the Macroeconomic Section have briefed the Assistant Secretary for Economics Bruce Gardner on three occasions in the last few months. In February, Ralph Monaco and Beth Mack provided a general economic outlook, while in April, John Kitchen and Beth Mack addressed the issue of the sustainability of the first quarter's inflation surge. In late April Ralph Monaco and Beth Mack provided an updated macroeconomic outlook.

In May Ralph Monaco, Mark Denbaly and Jim Malley presented Macroeconomic Projection to the year 2000 for the ERS baseline exercise.

FINANCE AND DEVELOPMENT POLICY BRANCH

View from the Branch

by Pat Sullivan

All the signs indicate that spring is quickly giving way to summer--my eyes don't itch as much as they did a few weeks ago, my lawn desperately needs mowing, the spring edition of the *ARED Newsletter* is vying for a place on the New York Times best-seller list, and the February issue of the *Agricultural Income and Finance Situation and Outlook Report (AFO-36)* is through its second printing. *AFO-36* concentrates on the financial condition of agricultural lenders and credit market developments of importance to the farm sector. The report was produced in cooperation with the Farm Sector Financial Analysis Branch (which coordinates production of the other 3 issues of *AFO* each year) and the National Economy and History Branch. Of all the creative, informative, incredibly relevant reports produced by the branch, *AFO* remains a perennial favorite. Given its

popularity, and my inclination to be lazy whenever I can get away with it, I'd like to devote this column to a summary of *AFO-36*.

Agricultural lenders, as a group, continue to post impressive gains as they recover from the farm debt crisis of the mid-1980's. Conditions at commercial banks specializing in agriculture have rebounded to where they were before the farm debt crisis hit--earnings are up, problem loans are down, and the number of farm bank failures during 1989 was the lowest since 1983. The financial condition of the Farm Credit System (FCS) also improved during 1989, although loan volume continued to shrink. Financial assistance from the Federal Government and cost savings associated with some significant organizational changes over the last 2 years have allowed the FCS to more aggressively compete with commercial banks for creditworthy borrowers.

While the recovery of commercial bank and FCS lenders continues a 2-3 year trend, the Farmers Home Administration (FmHA) has only begun to deal with its massive loan portfolio problems. The restructuring of FmHA loans mandated by the 1987 Act and other loan losses resulted in net write-downs totalling \$3.2 billion during fiscal 1989. As part of the 1990 farm bill, the administration would like to tighten the loan restructuring process in an attempt to hold down future budget outlays. Nonetheless, losses are expected to remain high as FmHA works its way through a loan portfolio in which nearly 40 percent of the borrowers are delinquent.

The overall message of *AFO-36* for the agricultural sector and for farm lenders was one of continued improvement during 1990. Moderate real growth in the U.S. economy, slowly falling interest rates, and a stable or slightly falling inflation rate should bolster the farm sector. Competition among agricultural lenders should insure that an adequate supply of credit will be available to creditworthy borrowers during the year, and a projected modest increase in demand for credit should be good for lenders. All this good news is in stark contrast to the *AFO*'s of a few years ago, and to conditions among some of the Nation's nonagricultural lenders today.

In an attempt to balance all of this good news with some good old fashioned doom and gloom, the branch will soon initiate an annual report on rural nonfarm finances as part of the division's *Rural Conditions and Trends* series. As currently envisioned, the report will summarize financial and policy developments affecting the rural financial delivery system. Cliff Rossi, who recently breached the walls of the Resolution Trust Corporation and lived to tell the tale, promises to deliver the awful truth about the savings and loan industry. Jim Mikesell and Dan Milkove will be covering rural bank performance and structure--always hot topics with the coffee shop crowd. In addition, each volume will include one or two special articles covering such topics as Federal deposit reform, tax-exempt bonds, and rural credit legislation. Look for the inaugural volume of *Rural Finance: Conditions and Trends* just in time for Christmas at checkout counters everywhere.

Publications

The February issue of *Rural Development Perspectives* features an article by Cliff Rossi, "Rural Bond Issues Weather Tax Reform," which examines the market and costs of municipal bonds following the new tax changes. The analysis suggests rural borrowers should not experience much of a problem in issuing their securities as a result of tax reform.

Papers Presented & Meetings Attended

Cliff Rossi presented a paper, "Financing Rural Water Infrastructure Investment to Promote Economic Development" at the Southern Regional Science Association (SRSA) meetings held in Washington, D.C. The paper examined the reasons why rural governments should finance such facilities as well as a review of policy options to encourage more capital investment and maintenance of water systems.

Cliff also presented a paper, "Estimating Output Supply and Input Demand Response for Northeast Savings and Loans" at the 1990 Annual Meeting of the Eastern Finance Association in Charleston, South Carolina. The paper featured an econometric estimation of S&L investments and deposits in order to evaluate the effects of financial performance on investment behavior and examine the substitutability between assets. While attending the EFA meetings, Rossi was invited to present the results of his research on thrift investment behavior to the staff of the Office of the Chief Economist, Office of Thrift Supervision.

Also at the SRSA conference Pat Sullivan presented "Financial Market Intervention as a Rural Development Strategy." The paper describes the economic rationale for government intervention in rural capital markets and synthesizes the available research on how adequately rural capital markets serve the financial needs of rural businesses and governments. Pat also chaired a session on "Rural Public Finance in the U.S." and served as a discussant for a session on "Rural Capital Markets."

Branch Activities & News

Cliff Rossi was notified that his paper, "How Important are State and Local Highway Investments to Agricultural Productivity?" was accepted for presentation at the 1990 Annual Meeting of the Atlantic Economic Society in Williamsburg, Virginia. The paper features an econometric analysis of the effect of expenditures on State and local road systems to agricultural productivity.

Pat Sullivan, Tom Carlin (FRE), Jerry Stam, and Greg Hanson (FSFA) briefed Assistant Secretary Bruce Gardner and Deputy Assistant Secretary Dan Sumner on farm financial stress, bankruptcy, exits, and farm number changes in the 1980's.

Personnel

Johnathan Brown joined ERS as a clerk/typist in December, 1988 after working for the Equal Employment Opportunity staff of the Economics Management Staff. A native of Washington, D.C., Johnathan's current hometown is Langley Park, Maryland.



Johnathan Brown

Johnathan comes to work for ERS when his semesters at the University of Maryland Eastern Shore end for the Christmas and summer breaks. He is a junior majoring in sociology. He intends to pursue a civilian career in college administration and a military career as an officer in the United States Army Reserve Special Forces Division. Johnathan enjoys meeting people, playing basketball, and reading current issues of the U.S. Armed Forces magazine.

Agricultural Finance Section

Research & Analysis

Jerry Stam, Steve Koenig, Fred Gale (FRE), and Susan Bentley (FRE) are working on an analysis of farm financial stress, farm exits, and public sector assistance for the farm sector in the 1980's. This research will result in an ERS monograph in the near future.

Douglas Duncan, Jim Mikesell and George Wallace recently completed a survey of State-sponsored farm credit programs. The combination mail/telephone survey collected information used to generate credit subsidy estimates for the U.S./Canada Free Trade Agreement. During 1988, 28 States operated one or more programs which provided subsidized credit to their farmers. However, the total subsidy was estimated to be only about \$51 million--approximately 2 percent of the total estimated subsidies of Federal Credit programs. This study will be updated annually.

Merritt Hughes is completing a study on the differences in financial characteristics of farms that were or were not required (according to the farmer) to sign up for crop insurance as a condition of receiving a loan. The report also examines differences in the types of financial loans offered to farms with various financial characteristics, and their perceptions of the risks they face.

Publications

Agricultural Income and Finance: Situation and Outlook Report (AFO-36) was published in February. This report

was coordinated by Jerry Stam with contributions by 7 other analysts from the Finance and Development Policy and National Economy and History branches. Results are discussed in the "View from the Branch" column.

"Farm Financial Stress and Farm Exits in the 1980's" by Jerry Stam and Steve Koenig was published as a special article in the February issue of the *Agricultural Income and Finance: Situation and Outlook Report*. During much of the 1980's, concern with financial stress in agriculture was often stated in terms of increased exits from farming because of

bankruptcy, foreclosure, or other involuntary reasons. Exits from farming in the 1980's were slowed by a variety of Federal and State programs and policies, many specially introduced in response to the farm financial crisis. Farm numbers declined 266,600 during 1980-89, compared with 1.7 million during the 1950's, 1 million during the 1960's, and 510,000 during the 1970's. When adjustments are made to account for the 1974 change in farm definition, the average annual decline for 1980-89 was about the same as for



A rural financial institution

1970-80.

"Trends in Agricultural Interest Rates" by James Ryan (FSFA) and George Wallace was published as a special article in the February issue of the *Agricultural Income and Finance: Situation and Outlook Report*. The article contends that economic forces and deregulation of financial markets

during the 1980's created pressures for agricultural interest rates to align more closely with those in money and capital markets. Interpretation of data series for agricultural and nonagricultural interest rates generally supports this view. Farm Credit System (FCS) access to national bond markets appears to allow the FCS to buffer the effects of market forces which have affected commercial bank interest rates. Probably as a result of an implied government guarantee, FCS rates do not reflect a true risk premium and thus move independently of other financial market forces and are more directly related to the financial position of the FCS as a whole.

"Recovery Slows For Farm Lenders" by Douglas G. Duncan, was published in the March issue of *Agricultural Outlook (AO-161)*. The article notes that, as of midyear 1989, each of the four major farm lender groups continued their financial rebound but at a slower rate than the previous year. Farm loan delinquencies fell at all lenders and net farm loan chargeoffs were down at the FCS and commercial banks, both of which also reported higher profits. Loan volume fell except at commercial banks which continued their expansion of market share by reporting a 3.4 percent increase in total farm loans. Credit availability was more than adequate and competition for high quality loans was stiff.

The April issue of *Agricultural Outlook (AO-162)* included an article by Steve Koenig and Cliff Rossi entitled "Farmer Mac Ready to Go". The article describes the financial characteristics of commercial bank participants in the new secondary market for agricultural mortgages. In particular, geographic concentration of participating banks and their profitability were examined as factors important to the operation of Farmer Mac.

"Payments Cut Credit Demand?" by Merritt Hughes, was published in the May issue of *Agricultural Outlook (AO-163)*. The article notes some officials from FmHA and farm bank lobbying groups have estimated that advance deficiency payments have been reducing the amount farmers borrow by as much as 10 to 25 percent. In the last few years the volume of federal commodity payments has been substantial relative to outstanding farm loans. There is no direct evidence that an overlap exists between advance deficiency payments and Federal farm credit programs, but the potential for overlap rises with each increase in alternative funding sources.

Papers Presented & Meetings Attended

"Cost-Effectiveness of Farmers Home Administration Guarantee Farm Loan Program" was presented at the Southern Agricultural Economics Association annual meeting in Little Rock, Arkansas in February by Professor William Herr of Southern Illinois University. (The paper has also been released as an SIU staff paper.) This paper was completed under the auspices of a cooperative research agreement with ERS. Congress mandated increased reliance on guarantees as the mechanism for assisting farm lending in 1985, and their use grew quickly, exceeding direct lending

in 1987. Budgets for recent years show that about 75 percent of total credit authorizations for FmHA's farmer programs were for guaranteed loans. If budget proposals are allowed to play out, FmHA's farm lending activity will be entirely through guaranteed loans by 1992.

Bill's conceptual model and results indicate that the cost-effectiveness of the direct as compared to guaranteed loan program depends to a considerable extent on the nature of the credit demand and supply functions. Using some plausible demand and supply elasticities, the loan guarantee mechanism appears to be the cost-effective choice. However, given the state of knowledge about the elasticities of credit demand and supply, reasonable alternative credit market elasticities could provide a different conclusion.

George Wallace attended the Southern Agricultural Economics Association Meeting in Little Rock, Arkansas on February 4-7. He presented a poster display entitled "State Farm Credit Subsidy Programs" that was prepared jointly with **James Mikesell** and **Douglas Duncan**. The poster presentation summarized State programs that have been enacted to reduce the cost of debt to farm operators or to ease repayment terms. State programs to subsidize farm credit needs are small compared to Federal programs and increasingly are structured to have minimum risk exposure and impact on the State budget, piggy-back on other loan programs, and are targeted at specific State needs.

Ted Covey and **Ron Babula** (NEH) presented "Agricultural Interest Rates and Inflationary Expectations: A Regional Analysis" at the SRSA meetings. The paper tested the Fisherian hypothesis with four series of regional (the Dallas Federal Reserve District) agricultural interest rates representing different terms-to-maturity. Shocks to inflationary expectations resulted in positive but less than proportional responses in all four rates. Immediate, one-time-only responses suggest that agricultural credit markets are informationally efficient. Inflationary expectations were shown to be particularly sensitive and enduring to shocks in itself.

Douglas Duncan presented a paper entitled "Farm Banks in the Energy Belt: A Double Whammy?" at the SRSA conclave. Financial ratio analysis together with the incidence of bank failures is used to review the performance of banks by type and region during 1982-88. Bank failure data are also presented by type and regional for 1984-89. The paper, co-authored by **Gregory Gajewski** (CED) and **Ellen Burkhardt** (formerly with ERS), shows that the simultaneous contractions in the farm and energy sectors did not, for the most part, hit farm banks in energy-dependent areas as hard as their nonfarm regional counterparts. Loan losses were more severe for banks in energy-dependent areas that concentrated on lending to the nonfarm sectors. However, farm banks in the "energy belt" did not perform as well as farm banks elsewhere.

Briefings and Miscellaneous

Merritt Hughes travelled to Cambridge, Massachusetts

and met with Dr. Anna Nagurney, currently a visiting professor at the Sloan School, MIT. Discussions concerned the development by Hughes and Nagurney of a general equilibrium model which will provide a framework for analyzing the effect of Federal agricultural credit policies and related financial programs on the financial characteristics of the farm sector and capital market conditions. They considered issues relating to the development and implementation of a mathematical solution procedure to a conceptual framework drafted by Hughes, and on algorithms for balancing the sets of financial accounts underlying the model.

Jerry Stam attended "Financing Agriculture in the 1990's: Structural Change and Public Policy," a meeting held at the Federal Reserve Bank of Boston in May and sponsored by the Federal Reserve Committee on Agriculture and Rural Development.

Upcoming Events

Jerry Stam will present the paper "An Analysis of Farm Financial Stress and Farm Exits in the 1980's" at the Northeastern Agricultural and Resource Economics Association annual meeting to be held in Truro, Nova Scotia on June 18-20.

Doug Duncan has been notified that "Farm Credit 'Junk' Bonds?" coauthored with Michael Singer (Texas A&M) has been accepted for presentation at the American Agricultural Economics Association Conference in Vancouver this summer.

Personnel Actions

Angela Brinson resigned from ERS to accept a position with the Federal Aviation Administration. Angie had been with ERS since January 1988. We wish her well in her new position.

Bob Collender joined the section in early March as a financial economist. Prior to joining ERS, Bob was an assistant professor at North Carolina State University where he worked for five years after receiving his Ph.D. in Agricultural and Resource Economics and an M.B.A. in finance from the University of California at Berkley. Bob's research will be two pronged, concentrating on the structure and performance of the Farm Credit System and on financial innovations as they relate to agricultural lending.



Bob Collender

Bob and his family (wife,

Susan, and three-year son, Philip) are new to the Washington area and are currently living in Arlington within walking distance of the East Falls Church Metro Station which Bob enjoys visiting twice daily. As they recover from the move, Bob hopes to be riding his bike to work on a more regular basis. They feel that the area has many of the amenities they missed when they left northern California.

Government and Development Policy Section

Research & Analysis

Tom Rowley, Cliff Rossi and Neil Grigg (Colorado State University) collaborated on a chapter for the forthcoming *Rural Development Strategies Report*. The chapter explores the relationship between water and wastewater infrastructure and rural economic development. **Dave Sears, Tom Rowley** and Norm Reid (OD) have written an overview chapter for the same report, exploring the relationship between infrastructure investment in general (which includes transportation and telecommunications) and rural economic development. The authors of these two chapters have found that the importance of infrastructure for economic development varies from case to case and from locality to locality. It is likely, however, that few cases exist where an infrastructure investment singlehandedly produced development, and many cases exist where such investment resulted in no development. The third possibility--where infrastructure is necessary but not sufficient for economic development--is likely a frequently encountered situation.

John Redman and **Bill Amt** are providing technical support to a group of ten States (Arkansas, California, Iowa, Maine, Michigan, Mississippi, Missouri, North Dakota, Pennsylvania, and Wyoming) that are participants in a Policy Academy sponsored by the Council of State Policy and Planning Agencies. The purpose of the Policy Academy is to provide participating States with an array of organizational and technical resources that will enable them to move forward on rural economic development further and/or faster than they would be able to do otherwise. John and Bill have collected some key ERS data on population, employment, and other social and economic characteristics of each State and its geographic components (down to the county level), and they have prepared various tables, charts and maps that present the data in useful forms. The Policy Academy will continue throughout 1990. John and **Dave Sears** will participate in two five-day working sessions of the Academy.

Anicca Jansen completed an analysis of 1988-89 education spending in Tennessee, testing for spending differences between adjacent and nonadjacent rural counties in that State. She found that, among the very smallest nonmetro counties, the adjacent counties spent significantly less than did the nonadjacent counties. Otherwise, no statistically significant differences were found.

Tom Rowley has joined Norm Reid (OD) to assist the National Commission on Agriculture and Rural Development

Policy in a year-long study of rural development issues. At the conclusion of the study, the Commission will submit a report to the President.

Barry Ryan (University of Minnesota) has submitted a draft report assessing the performance of wastewater treatment facilities in FmHA-eligible communities. The work is being done as part of an ERS cooperative research agreement monitored by **Tom Rowley**. Ryan reported that 20 percent of all systems in FmHA-eligible localities are currently operating in excess of their design flow. The estimated cost of bringing all FmHA-eligible systems into compliance with the Clean Water Act is currently over \$15 billion. As existing facilities deteriorate over the years, and as new facilities are built to serve expanding areas, the total capital cost for meeting rural wastewater needs will increase.

Publications

In the February issue of *Rural Development Perspectives*, **John Redman** and **Tom Rowley** examine relative metro/nonmetro economic performance at the State level over the 1979-87 period. States are classified into five broad performance categories based on how, within each State, metro and nonmetro earnings growth compared to each other and to the national growth rate.

Rick Reeder's RDP article (Feb 1990), "Nonmetro Retirement Counties' Strengths and Weaknesses," coauthored by Nina Glasgow (Cornell U.), reports that nonmetro retirement counties have been top performers in employment and population growth, and their income levels have risen slightly during the 1980s. One potential drawback of a local development strategy focused on attracting retirees, however, is that retirement county local governments tend to spend less on education and highways than do nonmetro counties in general.

In March, the U.S. Advisory Commission on Intergovernmental Relations (ACIR) published a report entitled *Local Revenue Diversification: Rural Economies, (SR-13)*. A product of a cooperative research agreement with ERS, this 96-page report examines challenges facing rural government efforts to raise revenues from nontraditional (nonproperty tax) sources, such as local sales and income taxes, developer fees, and user charges. It includes papers written by Tom Stinson (U. of Minnesota), Larry DeBoer (Purdue University), and Susan MacManus (U. of South Florida). **Rick Reeder** wrote the introduction. Copies can be obtained by writing to the ACIR, Attention: Betty Smith, 1111 20th St. NW, Washington DC 20575, or by calling 202-653-5640. Price: \$8.00 per copy.

The final product from an ERS cooperative research agreement with Cleveland State University is an unpublished paper entitled "Nonmetropolitan Nonprofit Organizations In Ohio: Responding to Changes in the 1980s," prepared by Douglas Shumavon, Paul R. Dommel, and Philip A. Russo, Jr. This paper, delivered to ERS in March, expands on the

RDP article on the topic (Oct 88), but provides more detailed information. Copies can be obtained by contacting **Rick Reeder**, who provided general guidance on this project over the past three years.

Papers Presented & Meetings Attended

Tom Rowley presented "Rural Earnings: A Measure of State Policy Needs" at the American Planning Association's annual conference in Denver, April, 1990. The paper uses real earnings data to aid State policymakers in determining the need for rural development policy within their State. Based on these data, States with poor rural earnings performance and strong urban earnings performance are the most likely candidates for a specific rural policy. The paper is based on research conducted by **Rowley** and **John Redman**.

Rick Reeder presented a paper at the Southern Regional Science Association meeting, in Washington D.C. "Rural School Finance Issues for the 1990s", examined both the fiscal and the policy challenges involved in improving rural school finances. Also presenting at the same session was **Elliott Dubin** (formerly with ERS), whose paper examined Federal taxes and spending for urban and rural States during the 1980's. Copies of both papers can be obtained by contacting Rick at 202-786-1542.

Also at the SRSA meeting, **Dave Sears** chaired a panel on "Rural Development Strategies." Papers were presented by **Jan Flora** of Virginia Polytechnic Institute (self-development strategies), **Phil Shapira** and **Melissa Geiger** of West Virginia University (technical assistance to small manufacturers), and **Jules Lichtenstein** of the Small Business Administration (business start-ups by the unemployed). **Flora's** paper was based on work conducted jointly with **Cornelia Flora** of VPI, **Fred Schmidt** of the University of Vermont, and **Gary Green** of the University of Georgia; this self-development research is being carried out under a cooperative research agreement with ERS. **Sears** also served as a discussant for an SRSA session on "Highways and Rural Development."

Briefings and Miscellaneous

In February, ARED hosted the third in a series of mini-conferences on the "Foundations of Rural Development." Organized by **Norm Reid** (OD), **Tom Rowley**, and **Dave Sears**, the conference topic was physical infrastructure and its relationship to rural economic development. Researchers from academia and government attended the two-day session. Previous conferences in the series focused on entrepreneurship and education. The fourth conference--on social infrastructure--will be held in May. A book incorporating material from each conference will be published at the end of the series. Others involved in this project include **Merv Yetley** (formerly with ERS, and currently on the staff of the House Agricultural Committee)

and **Glenn Nelson** of the University of Minnesota. The entire project is being facilitated through an ERS-University of Minnesota cooperative research agreement.

Norm Reid (OD) and **Dave Sears** will be co-editing a book entitled *Rural Development: Strategies That Work*. In addition, they will be editing an issue of the *Policy Studies Journal* on the same topic. Both efforts are sponsored by the Policy Studies Organization and are financed through a small grant from the Ford Foundation. The deadline for paper proposals is July 2. If anyone is interested in obtaining details, contact Dave.

Anicca Jansen presented a film entitled "Project Future" to the section. This film, produced by the Minnesota Extension Service, shows examples of Minnesota's effort to facilitate locally-directed rural economic development. **Anicca** is also responsible for the Section's "Economic Development Evaluation" data base. This bibliographic data base is indexed by various development strategies, providing a mechanism for quick response to both in-house and outside inquiries.

Personnel

Nancy West, the Section's secretary since 1988 has left ERS for a position in the Department of Transportation. We will miss her, but congratulate her on the promotion, and wish her success in her new job.

Lorin Kusmin joined the Government and Development Policy Section in February. He had been a social science analyst with the U.S. General Accounting Office for the previous three years, where he contributed to studies of poverty measurement and to a report on OMB procedures for review of government information collections. Lorin is currently studying economic growth and stability in nonmetro counties, building on research done by **Dave Sears**, **John Redman**, and **Molly Killian** (HRI). Lorin has an M.A. in economics from Princeton U., where he studied labor economics, public finance, and demography, and



Lorin Kusmin

a B.A. from Swarthmore College. Prior to attending graduate school, he worked for several years as a research assistant at the Brookings Institution and the Congressional Budget Office.

Lorin was born in New York City and grew up there and in Woodstock, New York. According to **Kusmin**, his sojourn in Woodstock, together with many summers on Cape Cod, where his parents worked seasonally as leather handicrafters, has given him some insight into the potential advantages and disadvantages of tourism as a rural development strategy.



A farm operation on the Delmarva Peninsula

Lorin currently lives in Alexandria with his roommate Rebecca. He enjoys movies, games, and whimsical and/or philosophical conversation. His greatest recent accomplishment: "I've just learned how to drive. I passed the road test in April."

Rural Finance and Tax Section

Publications

An Analysis of the Recent Surge in Consumer Debt in Rural Areas, by Don Lerman was published as an ERS staff report in April. The paper found that consumer debt in rural America grew faster than for the Nation as a whole between 1983 and 1986. However, most rural households with high consumer debt burdens were capable of paying off all debts with their assets--nearly one quarter fully paid off all consumer debts within 3 years. Household income, net worth, recent vehicle expenditures, household size, and homeowner status were found to significantly affect the level of consumer debt owed by rural households.

As an outgrowth of this research, Don completed "Rural Consumer Debt: Is Recent Growth a Problem?" which appeared in the February issue of *Rural Development Perspectives*. This article explores what led an increasing proportion of rural households into high debt during the 1983-86 period. Large purchases and changes in family status are among the factors associated with high consumer debt.

Prospective Rural Effects of Bank Deregulation (RDRR 76), by Stephen W. Hiemstra was published in March. The report reviews the debate over product deregulation and possible effects on rural areas of expanding the powers of commercial banks to underwrite securities. These new

powers may generally encourage greater bank operating efficiency and reduce portfolio risk through diversification. Rural bank participation, however, is expected to be low because most rural banks are small, and they have relatively little experience with securities markets. Little net increase in rural growth is expected because efficiency gains are likely to be small. Few benefits of new bank powers may accrue to rural banks to offset insolvency risks and increased competition from innovative urban banks.

A monograph reporting results from a study undertaken by members of the Department of Agricultural Economics at the University of Wisconsin-Madison, and funded in part by ERS, was published by the University in December 1989. *Rural Nonfarm Businesses' Access to Debt and Equity Capital*, by Ron Shaffer, Glen Pulver, Glenn Rogers, Tim

Wojan, and Dan Gerland, examined both users and providers of business capital in four rural Wisconsin counties. The authors found that most firms were satisfied with their financial institutions and other sources of capital. But certain types of rural firms in specific markets had problems obtaining loans that could not be attributed to the degree of risk that would be associated with loans to those firms. Policy recommendations by the authors stress tailoring any initiatives to the identified problem areas. For example, organizing capital pools might help firms that are too large for local financial institutions but that lack the option of tapping national capital markets.

Deregulation and the Structure of Rural Financial Markets (RDRR 75), by Dan Milkove and Pat Sullivan, examines how geographic deregulation is affecting the banking industry in general and rural banking markets in particular. The total number of banks has declined from well over 14,000 to under 13,000, and that trend is likely to continue. But that does not necessarily imply fewer choices for banking services in the typical rural community. Most banks that disappear according to such statistics become branches of other banks, so that financial services are maintained. And loss of local control is not an issue in those cases where the affected bank had already been controlled by an outside bank holding company. While it is true that a growing number of rural counties (14 percent in 1986) are not served by locally-based banking firms, many more rural counties (53 percent) have offices of both local and nonlocal banking firms.

Papers Presented & Meetings Attended

Ron Durst presented a paper, "Alternatives for Taxing Capital Gains: Effects on Farmland," coauthored with Cliff Rossi, at the annual meeting of the Southern Agricultural Economics Association in Little Rock, Arkansas. Estimates of effective tax rates for real capital gains under current law and various preferential tax treatment alternatives were

presented. Implications of lower tax rates on capital gains for bid prices for farmland were also discussed during the presentation.

Personnel

Felice Marlor joined the Rural Finance and Tax Section in May. She came from a job at SysteMetrics/McGraw Hill where she worked on a project examining the market areas of rural hospitals. She began to study economics at University of Lund in southern Sweden after having completed a BA in ancient Greek at Oberlin College.



Felice Marlor

Felice returned to the US with her husband Krister Andersson and has recently completed a MA degree in economics at GWU. Currently, they live in Arlington. Since coming to the Washington area, they have enjoyed its many cultural

opportunities but have missed the forests and long summer days of Sweden.

Ron Jeremias resigned from ERS to accept a position with the Joint Committee on Taxation. Ron was a member of the Rural Finance and Tax Section and had been with ERS since 1980. We wish him well in his new position.

Paula Dyer, secretary for the Rural Finance and Tax Section, resigned to accept a similar position with the Farm Credit Administration. The shorter commute and higher pay check were just too tempting to pass up.

Don Lerman resigned from ERS to pursue interests outside the economics profession. Don had been with ERS since 1982. We wish him well in his new career.

FARM AND RURAL ECONOMY BRANCH

View from the Branch

by Tom Carlin

The Farm and Rural Economy (FRE) staff devoted considerable time to activities associated with the annual report to Congress on the status of the family farm. The twelfth report, **The Farming Sector Entering the 1990's**, is still progressing through the composition and printing stage, hopefully it will be off press in June. Meanwhile, we have begun work on the 13th report. The central objective of the new report will be to examine the degree to which the

farming sector has or has not come to resemble the rest of the economy. **Fred Gale** and **Donn Reimund** are the principal authors of this report.

In March, I had the opportunity to address the 1990 class of National Leadership Development Fellows, a program sponsored by the National Center for Food and Agricultural Policy, Resources For The Future. Participants had varied backgrounds and included university research and extension professors and professionals from farms, government, industry, and agricultural organizations. This session's program was designed to examine agriculture as a part of rural development. My task was to discuss the current structure of farming, the relative well-being of farm people, and the role that farming plays in the overall rural economy. I concluded with a theme familiar to most of us: that farm policy is not synonymous with rural policy. Along the way, however, we discussed a number of other debatable questions such as what is a farm, are farm people a disadvantaged group relative to the rest of society, and how important are government programs to farmers and how are the benefits distributed within the farm sector. **Sara Mazie** then lead a discussion of rural nonfarm economic conditions and trends.

Bill Saupe, University of Wisconsin-Madison, and I completed the paper, *Structural Change in Farming and Its Relationship to Rural Communities*, U. W. Agricultural Economics Staff Paper No. 316. In the paper, we challenge the conventional wisdom that structural change in farming drives rural community change. This paradigm applies to fewer and fewer rural places as farming becomes a smaller component of rural economic activity.

Susan Bentley, a sociologist in our Agricultural Labor and Household Well-Being Section, was promoted during the winter quarter. Susan's research has focused on households exiting farming and changes in farm household well-being during the 1980's. She has become widely known for her use of longitudinal farm household data in addressing current policy issues.

There are two Agricultural Economist/Economist/Regional Economist positions available in FRE. Incumbents to these positions would conduct research on the interdependencies of U.S. agriculture with local and regional economies. For further information about these positions, you are invited to contact Fred Hines, 202-786-1525, leader of our Agriculture and Community Linkages Section.

Branch Activities & News

The Agriculture & Community Linkages Section obtained the Bureau of Economic Analysis' (BEA) suppressed 1-digit total employment file for 1969-87. Data contained on the tape support the section's estimates of food and fiber system employment derived from the Enhanced County Business Patterns (CBP) file. An updated CBP file containing 1987 data was received in early May. Documentation of the CBP file is available from **Alex Majchrowicz**. The BEA

employment file is being maintained by **Martha Frederick**, Human Resources & Industry Branch.

Publications

"Farmers Are Part of American Mainstream," by **Judy Kalbacher** and **Nora Brooks**, appeared as the Centerfold for the First Quarter 1990 issue of *Choices*. Judy and Nora's graphic look at comparative household income shows that U.S. farmers were for many years disadvantaged relative to the rest of society. But this is no longer the case in terms of average income--for farmers as a whole. The average household 1988 income of U.S. farmers is more than one fifth greater than the average income of American households.

Donn Reimund, **Nora Brooks**, and **Judy Kalbacher** contributed chapters to USDA's *1990 Yearbook on People of American Agriculture*. The book gives a portrait of the diverse people of American agriculture--Donn's chapter and Nora and Judy's chapter show that U.S. farms are quite diverse in the mix of commodities produced, size of operations, and how resources are organized and controlled. Donn lays out the information about the various commodities produced. Nora and Judy profile five size classes of farms to illustrate the diversity that exists among farms of various sizes.

Nonfarm Employment of Farm Operators, Hired Farmworkers, and Unpaid Farmworkers (AER 624), by **Vic Oliveira** was released in January. The report indicates that over half of all persons employed on U.S. farms in 1987 also did nonfarmwork for cash wages or salary. The nonfarmwork accounted for a major portion of their work time and was an important source of income. A logistic multiple regression model was used to estimate the probability that certain factors influenced whether or not a farmworker did nonfarmwork. Age of worker, education level, minority status, head of household status, days spent doing farmwork, and residence in metropolitan areas were found to significantly affect the probability of doing nonfarmwork.

A Staff Report called *Estimating Farm Labor Elasticities To Analyze The Effect Of Immigration Reform* (AGES 9013) by **Jim Duffield** was published in February. This report concluded that the Immigration Reform and Control Act of 1986 is unlikely to cause a national agricultural labor shortage during the next few years. However, spot labor shortages in areas off the beaten track may continue to be a problem.

Papers Presented & Meetings Attended

Several members of the Farm and Rural Economy Branch were involved in a contributed paper session entitled *Regional Farm Structure Research in ERS* organized and chaired by **Donn Reimund** at the SRSA meetings.



Hay pasture near Meeker, Colorado

Papers presented were:

Alex Majchrowicz. "Regional Economic Performance of Nonmetro Counties, 1969-87". The paper showed that rural employment grew unevenly since 1969, following the general ups and downs of the U.S. economy. Alex emphasized, however, that not all nonmetro counties performed the same, with differences in employment growth caused by their regional location, proximity to metropolitan areas, and local industrial structure.

H. Frederick Gale, Jr. "Impacts of Economic Events on the number of Farms in the 1970's and 1980's." Regression models utilizing state-level time series data are estimated for five U.S. regions to explain changes in number of farms. The results indicate that prices, exports, real interest rates, farm income and off-farm income can help explain changes in farm numbers. Much of the adjustment occurs in the south and midwest, but economic variables appear to account for a relatively large proportion of farm number changes in western states.

Judith E. Sommer and Fred K. Hines. "Diversity of U.S. Agriculture: A New Delineation of Farming Regions." Cluster analysis is used to group counties into subregions that are relatively homogeneous with respect to enterprise mix, resources, and farm-nonfarm interaction. Examination of the 12 cluster set gives some insight into the diversity that exists in the farm sector as well as the patterns of agricultural production that cut across geographic boundaries. An analysis based on such homogeneous groups offers a logical starting point for assessing regional differences in the impact of alternative public policies on the farm sector.

David A. Henderson. "Bimodal Distributions in Agriculture: A Southern Example." A bimodal farm structural distribution has emerged in the United States as is becoming more pronounced over time. The bimodal distribution is related to the physical environment and alternative farm management strategies. A management strategy of farm consolidation to achieve economies of size corresponds to environments which are the most conducive to commercial crop agriculture. A management strategy of full-time off-farm employment corresponds to environments which limit the development of commercial crop agriculture.

Neal Peterson was the discussant for the Ag. Biotechnology session at the SRSA meeting.

Vic Oliveira attended a meeting of the Farmworker Cancer Screening Committee held at the National Institute for Occupational Safety and Health (NIOSH) in Cincinnati, Ohio on January 25. NIOSH has been mandated by Congress to develop strategies to reduce the number of cancer deaths among farmworkers. The purpose of the meeting was to identify possible barriers that farmers, farm workers, and farm families face in obtaining cancer control services.

HUMAN RESOURCES AND INDUSTRY BRANCH

View from the Branch

by David McGranahan

We are now finishing two of our major works for the past year--an evaluation of education and training as a rural development strategy and an evaluation of the potential impact of the welfare program in rural areas.

The education and training project was stimulated by concern that rural people, generally less schooled than the urban population, have been losing out as the national economy, adapting to the heightened international competition and associated changes in technology, requires an increasingly educated workforce. Ruy Teixeira and Paul Swaim review the evidence of a national crisis in workforce education and training. While job education and skill requirements have increased fairly steadily over the past few decades, our schools are doing less well than in the past and less well than the school systems of other industrialized countries.

David McGranahan and Linda Ghelfi show that, unlike situation in the 1970's, the increase in demand for workers with post-high school training in the 1980's was almost entirely an urban phenomenon. Earnings for drop-outs and high school graduates fell considerably in the 1980's, while earnings for college graduates rose. This rise, however, was much greater in urban than in rural areas, a difference that may have been largely responsible for the rural "brain drain" of the 1980's--the net outmigration of the college-educated from rural areas. The authors conclude that recent rural employment problems have been less the result of low rural education levels than of the unsuitability of rural locations for high tech and international business organizations. Molly Killian and Tim Parker's analysis of local area growth tends to support this conclusion. Local education levels made a difference for employment growth in urban areas in the 1980's, but were largely irrelevant for rural area growth. The two chapters' findings suggest that improving education levels is extremely important for the future livelihood of rural young people, but if the recent past is any indication, the pay-off for most rural areas is likely to be small.

In the final chapter, Swaim and Teixeira discuss problems facing rural schools and the relevance of various education and training programs for rural areas. To the extent that schools are to train young adults for the labor market, some of the close links between schools and prospective employers which typify other industrialized countries, would clearly be helpful in both rural and urban U.S. One example would be to make high school records available to employers.

This report on education as a rural development strategy is to be first published separately and then combined with

similar reports on capital, infrastructure, and other topics into an overall report on rural development strategies.

The second HRIB report nearing completion is the one edited by Bob Hoppe dealing with the new "welfare" legislation. That report, which includes chapters by outside authors as well as HRIB personnel, was described in an earlier Newsletter. It should be issued by the end of the year.

We plan to develop additional research reports with multiple author contributions over the next few years. These reports provide a coherence to our work which is lacking when results are reported separately and piecemeal. One report, to be edited by Linda Swanson, will deal with rural minorities and their changing situation. With some major exceptions, such as work on black farmers, our work on minorities has been scattered among our various reports. This report should provide a better understanding of the overall situations of rural black, Indian, and hispanic populations in 1990.

Leslie Whitener has agreed to organize a report focusing on rural families. While we tend to treat workers as individuals, the labor market decisions that working age people make and the impact of labor and welfare policies upon them, are often related to their family situation. Moreover, the well-being of both children and elderly depend a great deal on their family situation. This report should help us understand how rural family structures are changing and what that means for rural well-being.

There are other attempts to enhance our resources. Deborah Tootle took the initiative to organize a continuing Branch seminar on rural spatial organization and its relation to the national economy. About 8-10 people attend regularly. Bob Hoppe, Paul Frenzen, and Shirley Porterfield are running monthly brown-bag seminars where Branch staff present research results. And Felicia LeClere reports a large response to her offer to explain log-linear nuts and bolts to a group of HRIB researchers.

Calvin Beale was profiled in the *Wall Street Journal*, March 5, as a "guru of rural demography". His broker now treats him with awe.

Branch Activities & News

In April, Calvin Beale gave the annual M. E. John Memorial Lecture at Pennsylvania State University. Beale's topic was "Reflections on Rural Demography, Rural Society, and Predicting Social Behavior." He focused on the extent to which rural and urban people currently differ in the areas of childbearing, abortion, racial and ethnic makeup, education, and earnings. He also discussed the inherent conflict between the insatiable demand for forecasts of future trends and our demonstrated limited ability to predict turning points in social behavior.

Beale had the pleasure in February of having a collection of his writings published by Penn State Press under the title *A Taste of the Country*. Peter Morrison of RAND

Corporation originated the volume and served as editor. The chapters deal with various farm and rural demographic, economic, and subregional themes, along with fieldnotes of some of Beale's earlier visits to racial minority communities.

David McGranahan drew from his work with Linda Ghelfi on education as a rural development strategy for presentations at the Southern Regional Science Association meetings and at the 9th Conference on the Small City and Regional Community at Stevens Point, Wisconsin on March 29. McGranahan attended the OECD sponsored Conference on Enterprise and Employment Creation in Rural Areas in Paris January 16-18 where problems and strategies of rural employment creation for different member nations were discussed.

Income and Well-Being Section

Publications

In February, Linda Ghelfi and Alex Majchrowicz published *AIB No. 589*, "Jobs and Earnings in Nonmetro Industry, 1987". They found that nonmetro job growth accelerated during 1987, but nonmetro real earnings grew slower than during earlier years of the economic recovery that began in 1982. In both jobs and earnings, nonmetro growth lagged metro, but by a smaller margin than earlier. Faster growth in jobs than in real earnings caused real earnings per job to decline slightly in both nonmetro and metro areas. The exceptions to declining real earnings per job were slight growth in nonmetro and metro areas of the Northeast, sizeable growth in nonmetro and metro farming, and slight growth in metro service-producing industries.

"The Elderly and Their Sources of Income: Implications for Rural Development", by Robert A. Hoppe, will be released shortly by the Census Bureau as a Survey of Income and Program Participation (SIPP) Working Paper. An edited version of the report will be published later as a *Rural Development Research Report*. Hoppe reports that the elderly can have an economic impact in rural areas, because they receive substantial property and transfer income from various sources. Elderly migrants have apparently contributed to rural economic growth in the recent past. However, attracting retirees to stimulate rural economics is limited by the number of elderly of adequate means who are willing to move. Providing the local elderly poor with services may be a more pressing issue for some rural areas. Finally, anyone devising strategies based on the elderly's income must recognize the importance of the Social Security trust fund, now and in the future.

Papers Presented & Meetings Attended

Deborah Tootle presented a paper "Variation in the Effects of Public Assistance: A Consequence of Uneven Development?" at the 1990 meeting of the Southern Sociological Society in Louisville, Kentucky. Using data from

1980 Public Use Microsample-D, Deborah examines the effects of public assistance on income inequality, average household income and workers' wages in urban and rural labor market areas. Although she finds little difference in the effects of public assistance on income inequality between urban and rural labor markets, the effects of public assistance on household income and wages are stronger in urban areas.

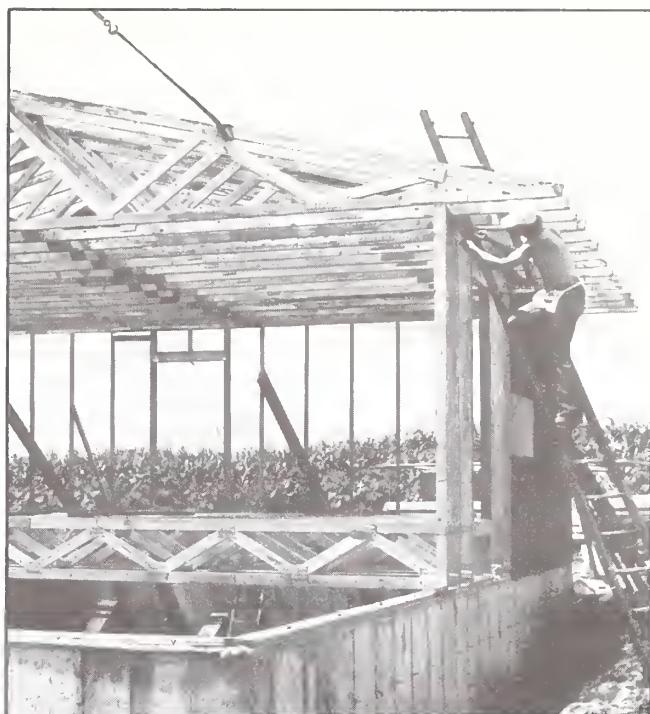
Deborah also attended the annual meeting of the Southern Stratification Research Group, where she discussed research on minority concentration and underemployment, which she and Leann Tigges of the University of Georgia are conducting. This research focuses on the effects of black concentration on three measures of underemployment; unemployment, low-wage underemployment and underemployment by involuntary part-time work; i.e. workers who desire but are unable to find full-time work in local labor market areas. Preliminary findings suggest that white underemployment is lower and black underemployment higher in labor markets where blacks are most concentrated.

Rural Employment Section

Publications

Leslie Whitener is currently examining the rural implications of the newly created Job Opportunities and Basic Skills Training (JOBS) Program authorized by the Family Support Act of 1988. The JOBS Program is a workfare program designed to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence. By October 1, 1990, States must implement a JOBS program which requires persons receiving Aid to Families with Dependent Children (AFDC) to work, or engage in activities leading to work, in exchange for public aid. However, the operation and effectiveness of the JOBS Program is likely to be complicated by the structural, social and demographic characteristics of rural areas.

The effectiveness of JOBS in rural areas will depend on a variety of factors operating at the local and State level. These factors include the wide variation in the nature and administration of individual State programs; the health of the local rural economy; the characteristics of the AFDC population to be served in rural areas; and the ability of the local community to provide necessary training facilities, child care, transportation, and other supportive services. Whitener cautions that we should form realistic expectations about the effects of JOBS in rural areas. The JOBS Program should not be oversold as the answer to eliminating unemployment or abolishing welfare assistance in rural areas. However, JOBS will undoubtedly assist some people in some communities to find permanent employment and avoid long-term welfare dependence. This research will be published in the forthcoming USDA report, *The Family Support Act: Will It Work in Rural Areas?*, edited by Robert Hoppe(IWB).



Building a rural service structure

Timothy Parker and Leslie Whitener prepared the final issue of *The Nonmetro Employment Situation*. Annual average data from the 1989 Current Population Survey point to continued improvement in the rural economy. Nonmetro unemployment fell to 5.7 percent, returning to pre-recession levels. Also, nonmetro employment growth surpassed that of metro areas for the first time since the recession. Although the economy showed signs of weakness in the last half of 1989, it is likely that moderate economic growth, lower interest rates, and some gains in manufacturing production and employment will lead to continued improvements in rural areas in 1990. Future reports based on the CPS nonmetro employment data will be published in ARED's new quarterly series, *Rural Conditions and Trends*.

Jim Miller had a *Rural Development Research Report* titled "Survival and Growth Rates of Independent Firms and Affiliates in Nonmetropolitan and Metropolitan America" published in February, 1990. A *Farmline* article by Doug Martinez based on the *RDRR* report will be in an upcoming issue.

Miller also authored "The Product Cycle and High Technology Industry in Nonmetropolitan Areas, 1976-80," *Review of Regional Studies*, Vol. 19, No. 1, (Winter 1989) February, 1990 and a chapter in *Retention and Expansion of Existing Business: Theory and Practice in Business*, George Morse (editor), Iowa State Press, 1990, titled "Business Expansion and Retention in the Great Lakes States, 1976-1980."

Papers Presented & Meetings Attended

Molly Killian and **Timothy Parker** presented the results from their paper "Education and Local Growth in a Changing Economy" at a Human Resource and Industry Branch Brownbag on March 19, 1990. **Molly** also gave a presentation from their paper at the annual meetings of the Southern Sociological Society in Louisville, Kentucky on March 22, 1990.

Molly Killian completed a re-analysis of county commuting patterns to re-define the LMA (Labor Market Areas) subareas without a minimum population criterion. **Molly & Tim Parker** used these smaller geographical areas--called Commuting Zones--to describe the relationships between education and local job growth. As industries adapt their technologies and management systems to a rapidly changing national and international environment, their labor needs change. One industrial response has been centered around investments in more complex technologies and better educated workers. Other responses involve more fluid movements of capital to areas with low skilled, low wage, and relatively unorganized labor. There is considerable debate about whether these trends in the new global economy are weighted towards an increasing demand for better educated or for less educated workers. Most analyses have addressed this debate at the national level. However, the demand for and supply of workers with varying levels of education is typically played out at the local level...within the context of the local labor market.

The authors assess the relationship between education and job growth at the local level. Using Labor Market Area commuting zones, they compare over-time changes in the importance of local schooling levels for local job growth. The average years of schooling completed by the local population had significant, positive effects on local growth between 1969 and 1979, but no significant effects on growth between 1979 and 1986. Further analysis shows however, that during the 1980s, both the percent completing college and the high school dropout rate had strong, positive effects on local employment growth.

Killian attended an organizational meeting of SRDC 89-07, "Assessment of Regional Research Needs on Employment Expansion and Retention in the Rural South", in Little Rock, Arkansas, February 1990.

Molly chaired the spring technical committee meeting of the Southern Regional Research Project S-229 "The Changing Structure of Local Labor Markets in Nonmetropolitan Areas: Causes, Consequences and Policy Implications", in Louisville, Kentucky, March 24, 1990.

Alan Bird presented a paper, "Career Labor Force Earnings: Regional Dimensions, Prospects, and Rural Life-Style Implications," at the SRSA meetings. Using the March 1988 Current Population Survey, he compared 1987 earnings for workers, ages 25 to 64, by Census Regions and by four residence groups--nonmetro, central cities and suburbs of large metro areas, and small cities. Earnings included wages

and salaries, nonfarm self-employment, and net farm income, but not transfer payments such as pensions and food stamps. Suburbs fared best, especially in the Northeast; small cities and central cities had about equal intermediate ranking; and nonmetro areas, especially in the West North Central Region and the South, fared worst. The nonmetro shortfall in earnings appears to be sufficiently great that, short of the unlikely event of major nonmetro changes in occupational mix and the mix of conventional industry, other major changes in life-style would be needed, if nonmetro residents were to reduce this shortfall significantly. These changes would likely involve a further realignment of work locations with respect to residence locations for both metro and nonmetro people, including farm families.

Shirley Porterfield attended the SRSA meetings in Washington, D.C., serving as a discussant in a session on Off-farm Employment/Earnings, chairing a session on Rural Development, and presenting a paper, "Producer Services: A Viable Option for Rural Economic Development?" The paper presented at a Rural Development session, looks at the potential for rural economic development based on employment growth in producer services industries. Producer services are part of the export sector of the economy, but appear urban oriented. This study examines whether similar potential for growth in employment and earnings in producer services exists in rural counties.

Producer services are growing in both rural and urban areas, but at a slightly faster rate in urban areas. Producer services are compared with manufacturing with respect to the type of county each group of industries is attracted to and what these industries have to offer the local economies in terms of jobs and wages. Results indicate that producer services are not attracted by the same locational characteristics which are attractive to manufacturing firms. Average wages paid by services-producing firms are comparable to those paid by manufacturers. Rural counties which are easily accessible by air, have relatively high unemployment and an educated labor force increases their chances of attracting producer services firms.

Martha Frederick also participated in the SRSA meetings. She was the discussant for two papers: the first by Jan Flora of Virginia Polytechnical Institute and others titled "Local Self-Development Strategies: National Survey Results", and the other by ERS colleague **Shirley Porterfield** titled "Producer Services: A Viable Option for Rural Economic Development?"

Ruy Teixeira has completed the first stage of his project analyzing projected changes in skills, education and income to the year 2000, and the implications of these changes for rural areas. This stage has included analysis of occupation and industry shift effects on skills, education, wages and compensation. Analysis has covered the periods 1986-2000 and 1988-2000 (using two different BLS projections), as well as the historical period, 1973-1986 for comparative purposes.

The findings are detailed in a forthcoming paper, "The Future of the American Worker: Jobs, Skills and Income in the 1990s", written in collaboration with Lawrence Mishel of

the Economic Policy Institute. The paper presents these findings in the context of a sustained critique of the conventional wisdom on job structure evolution (as exemplified by the well-publicized *Workforce 2000* report). Key points include the following: (1) shifts in the job structure are having a negative effect on compensation growth and only a modest effect on education and skill requirements; (2) labor force trends do not suggest an impending labor shortage of substantial benefit to either workers in general or minorities in particular; and (3) recent and probable future income trends suggest little material improvement in the lives of working Americans. A general implication of the findings is that the continued and highly-touted shift to a "service society" cannot be counted on to create a highly skilled, highly waged job structure.

Drafts of this paper have already been presented at the RAND corporation and the Second Annual International Conference on Socio-Economics. In addition, a paper extending these findings has been submitted and accepted for presentation at the American Sociological Association annual meeting, session on "Trends in Occupational Structure". This particular paper will focus on the industry dimension of occupational change and how ignoring this dimension leads to misunderstandings about the nature of occupational change. Finally, a paper drawing on the second phase of this project has been submitted for presentation at Rural Sociological Society annual meeting. The paper will present planned analyses of metro and nonmetro job structure trends to the year 2000 and how these trends may affect the rural disadvantage in job opportunities.

Briefings & Miscellaneous

Paul Swaim together with Professor Michael Podgursky (University of Massachusetts), submitted a report ("Job Displacement and Labor Market Mobility") to the Employment and Training Administration of the Department of Labor (DOL) in March. Using data from the Current Population Survey (CPS), they showed that nearly three-quarters of the over 10 million workers displaced between 1979 and 1987 changed industry or occupation, while about 1 in 5 moved to a new city or county to find employment. Nonmetropolitan workers were substantially more likely to change occupation or migrate than metro workers. Apparently, nonmetro labor markets are less able to absorb workers displaced by economic change in their prior line of work. Workers switching industry or occupation also experienced substantially larger reductions in weekly earnings.

Podgursky and Swaim are continuing their research on worker displacement and job mobility. They have obtained several additional CPS data files that will allow them to estimate simultaneous models of the causes and effects of displacement, and to compare labor market mobility patterns for displaced workers with those of other workers. In particular, they hope to relate individual career paths more fully to local labor market conditions, including economic restructuring.

Paul also reviewed two draft chapters for *Employment Outlook*, published by the Organization for Economic Cooperation and Development (OECD). The Department of Labor represented the U.S. Government at a working party in Paris in April, which provided guidance for final editing of the annual volume. Since two of the chapters drew on earlier research conducted by Professor Podgursky and Paul, DOL asked for written comments.

Personnel

The Rural Employment Section welcomed Ken Robinson in February. Ken comes to us from the South Building where he is a Presidential Management Intern (PMI) with

the Economics Management Staff (EMS). The PMI program is a post-Master's internship designed to introduce interns to careers in the Federal government. Interns rotate through various departments and agencies over a two-year period. Ken, who has completed rotations in administrative services, budget and finance, and personnel, is assigned to the Human Resources Branch until July 1990. While here Ken will direct most of his attention to

evaluating the economic impact of state enterprise zones in rural areas. Jim Miller will be working with him on this project.

Ken received a B.S. in Agricultural Economics and Rural Sociology from Clemson University. He has a Master of Public Affairs from The University of Texas at Austin's LBJ School of Public Affairs.

Prior to entering the PMI program, Ken worked as field representative for Congressman Butler Derrick's (3rd District-SC) 1988 reelection bid, and as a planner with the South Carolina Coastal Council, a state permitting agency which regulates coastal development. Ken has also worked as a graduate intern in the Food and Agriculture section of the Congressional Research Service.

Ken lives in Northwest Washington where he enjoys reading, exploring family genealogy, and racquet sports.

Population Section

Publications

In response to numerous requests, *Rural-Urban Continuum Codes for Metro and Nonmetro Counties* was published as a staff report by Margaret Butler. Included in the publication are the continuum codes for 3,097 counties, a map and table:

showing the distribution of the various counties, and text explaining the history and use of the codes.

Papers Presented & Meetings Attended

Felicia LeClerc attended the annual meeting of the Population Association of America in Toronto Canada on May 2-5. Several sessions were devoted to United States population redistribution, rural/urban migration, and labor markets. Among the findings were: 1) Of Black migrants returning to the South, those who went to destinations where they had place-specific ties were less affected by the destination's economic characteristics, 2) the chance that young migrants will return to the deindustrializing region they left is significantly increased by their own unemployment experience in their destinations, 3) little evidence was found of locality-based labor markets for professionals in a study of professional engineers.

"America in the 21st Century," a conference organized by the Population Resource Center, was attended by **Linda Swanson**. Out of the plenary forum, which will be shown on public television, came two themes. First, the minority population will quickly become the majority in a number States because of immigration and higher minority fertility. Yet low voting rates among young adults, where the minority population is concentrated, will keep political structures from changing. Without an effort to incorporate minorities into the political structure, the potential for social unrest is great. Second, restructuring the secondary education system is necessary at the national level to avoid a serious shortage of labor with basic skills. If rural areas can strengthen their secondary schools and encourage high school completion, they could take advantage of the imminent need for trainable young adult workers.

Personnel

Felicia LeClerc, who joined the Population Section in mid-February, came from The Pennsylvania State University where she earned a Ph.D. in Rural Sociology and Demography.



Felicia LeClerc

Her previous research has included local marriage markets, the effects of household structure on fertility, as well as historical changes in women's family life. In addition to the annual cooperative Census/ERS report on the rural and farm population, Felicia will pursue research on the effects of metropolitan labor markets and farm structure characteristics on the well-being of metropolitan farm households. She plans to begin examining the effects of the size of destinations on the earnings of families who migrate.

Felicia earned her A.B. from Mount Holyoke College in geography, an M.A. from the University of Minnesota in geography, and an M.S. in Agricultural Economics from Penn State. Her husband Marc is employed as an assistant professor in the College of Business at the University of Maryland. They live with their daughter Rachel somewhere north of Wheaton, Maryland.

FARM SECTOR FINANCIAL ANALYSIS BRANCH

View from the Branch

by James Johnson

The Farm Sector Financial Analysis Branch has been heavily involved in staff projects related to the 1990 Farm Bill deliberations. Enterprise cost and return estimates have been considered as an indicator for use in adjusting commodity support levels. This has resulted in questions about ERS' methods of estimating commodity costs and returns. In particular, there have been questions about what differences there would be in production costs when the direct effects of Government programs were included in the estimates (ERS currently excludes these direct effects). Section staff **Mike Salassi, Mary Ahern, Mir Ali, and Robert Dismukes** estimated the costs and returns from the rice program and found that while the value of production rose \$225 per planted acre, the total costs of production added only \$72, mostly in land returns. Cash expenses increased only \$11. ERS has had a project to measure the costs and returns of rice production with and without the direct effects of Government programs since Spring 1988 when a rice survey was designed to collect data that heretofore had never been collected. The results of this project are published in the ERS bulletin: *AIB 597*. Section members also prepared briefing materials for the Assistant Secretary for Economics and his staff on how ERS estimates production costs. The issue of using production cost estimates for adjusting target prices comes up with each new Farm Bill. Both ERS and economists in general recommend against using production cost estimates for this purpose since it can lead to cost spirals, with most of the additional cost being capitalized in land values.

Mary Ahern has analyzed the implications of proposed options for targeting program payments. Many of the proposed options are directed at either the gross sales or income level of the farm operator's household. ERS' income, balance sheet, and commodity costs and returns accounts have always tended to measure either the farm sector as a whole or the farm business as a unit within the

sector. A farm business can, and often does, support several households. Mary has used current survey data to separate the finances of the farm operator household from the business and look at costs, returns, and producer characteristics at the household level.

Jim Ryan, Steve Koenig (FDP), and **Mitch Morehart** completed a staff analysis of the effects of a 10- and 20-percent change in commodity target prices on Farmers Home Administration (FmHA) borrowers and the costs of FmHA's farmer programs. Since changes in target price levels would apply to all farmers and not just FmHA borrowers, the effects of these changes were analyzed for all farmers as well. The analysis combined individual farm-level data reported in the 1988 Farm Costs and Returns Survey (FCRS) with expected commodity price changes generated by simulation runs of the Food and Agricultural Policy Simulation Model (FAPSIM). The results suggest that each 10-percent increase (decrease) in target prices is accompanied by an increase (decrease) of almost \$1 billion in farm cash sales and \$1.6 billion in Government payments. About \$150 million of the change in sales and over \$300 million of the change in Government payments accrue to FmHA borrowers. Since FmHA borrowers report very high program participation rates, virtually all of the effect of a change in target price levels would accrue to current FmHA program participants.

In addition to the staff analyses being conducted by Branch personnel, the Branch's estimates and survey programs are in full swing. The first estimate of 1989 farm income which incorporates observed survey data into the estimates of farm production expenses is due to the Department of Commerce in mid-June. The Farm Income Estimates Section is fully focused on meeting the June deadline. This year's work is complicated by the need to incorporate Census benchmark data into the level of the estimate published for the 1987 calendar year as well as the need to establish new relationships between annually observed farm survey data and Census estimates. These income-expense relationships provide the basis for developing the annual estimates published by ERS. The Financial Analysis Section is also incorporating 1987 Census data into its estimate of the farm sector balance sheet. In particular, land and building values will be increased as a result of the Census. The result will be an increase in the estimate of farm sector net worth. Revisions to the balance sheet will also be completed by early this Summer.

Branch Activities & News

Mike Salassi presented two papers at the Rice Technical Working Group meeting in Biloxi, Mississippi, February 26-28. One paper compared the financial position of rice farms in 1984 and 1988 while the other paper compared rice production practices across regions as reported in 1988 Farm Costs and Returns Survey. Both papers were well received by those in attendance in the Economics and Marketing Panel.

On March 16, **Jim Johnson**, Duane Hacklander, and **Roger Strickland** went to BEA with Gerald Donahoe and

Robert Parker of the National Income and Wealth Division. The purpose was to discuss the conceptual framework under which BEA imputes estimates of owner-occupied housing and how they use ERS's estimates of imputed rent, (more detail on this subject is provided in the Farm Income Estimation Section's, Research and Analysis).

The 1989 Farm Cost and Returns Survey (FCRS) data have been collected and processed through the edit by the branch. The edit routine was the most comprehensive ever, increasing the number of items examined by each state to include net cash income, assets, and debt, and other economic variables. During the next month the National Agricultural Statistics Service's state people, along with NASS and ERS personnel in Washington will be examining preliminary summary figures. In addition, several observations identified as outliers will be closely reviewed prior to the meeting of the Outlier Board to be held in May.

Farm Income Estimation Section

Research & Analysis

The *Farm Income Estimation Section* is currently working to revise the income accounts to incorporate recently released data from the 1987 Census of Agriculture. In addition, The Agricultural Economics and Land Ownership Survey (AELOS) conducted as a follow-on to the 1987 Agricultural Census will provide data that has not been available for 10 years.

Unfortunately, the AELOS data is not yet available. FIES is working to develop and incorporate reliable indications of the AELOS results, with the objective of having to subsequently make only minor corrections, when the AELOS results are available.

Indications are that AELOS will lead to substantial upward revisions to the value of housing stocks used in the farm income accounts. Prior to the AELOS, the 1979 follow-on farm financial survey was the basis for relationships used to estimate building values from total real estate values. Building and land values have not always experienced changes of the same magnitude and/or direction over the last 10 years.

The ERS Estimates' Staff has had concerns about the appropriateness of the current level of building values, the depreciation method employed, and some assumptions underlying the imputation of income accruing to the agricultural sector's equity capital in housing. The Staff has been studying the issues for almost two years and decided that it would be best to incorporate all revisions to data and methods simultaneously.

At a recent meeting with BEA, there was agreement our conceptual framework is consistent with their requirements for farm income data and that we are moving to improve the estimates for the components within the account.

Most of the component income and expense accounts will be revised from the Census and AELOS data. Other accounts likely to undergo substantial revisions are expenditures for fertilizer, feed, and fuel. Plans are to implement the revisions in *Economic Indicators* to be published later this year.

Briefings & Miscellaneous

The Section participated in a training session for a delegation from Pakistan at ERS on a study tour. Methodology, data sources and account concepts were discussed for farm income and expense component accounts. The Pakistan training program is designed to allow participants to learn more about the functions of the Economic Research Service. Participants in this study tour are employees of the Economic Wing of the Ministry of Food, Agriculture and Cooperatives (MINFA) of Pakistan. Bill Edmondson and Gerald Schluter (NAA) also discussed the agricultural input-output accounts maintained by ERS.

Economic Indicators Research and Forecasts Section

Research & Analysis

Greg Hanson and John Jinkins are conducting research on the ability of cattle, dairy, and hog producers to successfully use debt financing. Lenders that provide financing for livestock operations need-reliable information on the ability of producers to generate adequate earnings to meet financial obligations. Statistically representative farm level data from the USDA Farm Costs and Returns Survey are being used in the study. Preliminary results show that the dairy industry, followed by hog producers, has had the highest percentage of operations with the ability to use debt. It has been less feasible to use debt financing for beef production, even during recent years of relatively high beef prices. These relationships have shown a remarkably stable pattern in the 1980's.

Publications

James Shaffer of Michigan State University and Resources For the Future and Gerald Whittaker, of the section have published an article in the second quarter issue of *Choices* on the distribution of Government payments. Using data from the *Farm Costs and Returns Survey*, they found that a large proportion of direct Government payments to farm operations are going to the largest farm operations. Whittaker also published an article in the April issue of *Agricultural Outlook* on the same subject. In an *Agricultural Information Bulletin* to be published shortly, Whittaker reports that, on average, farms in the upper Midwest which were severely impacted by the 1988 drought were able to sustain their financial position by sale of inventories.

Briefings & Miscellaneous

John Jinkins and Greg Hanson of the section collaborated with Bernard F. Stanton from Cornell University in a May ERS seminar regarding value-added in U.S. agriculture. Value-added refers to the "wealth-creation" by the team of producers, laborers and capital providers in the agricultural sector. The authors are proposing USDA develop and publish a statistical series to provide more regional specific data about value-added in the *Economic Indicators of the Farm Sector*.

Greg Hanson discussed a research paper at a recent meeting of finance specialists sponsored by the Boston Federal Reserve Bank. The topic centered on changes in how farmers will finance their business in the future. Macroeconomic factors were viewed to be of increasing importance to farm finance markets.

Diane Bertelsen has updated farm income forecasts, resulting in slightly higher income projections for farmers. Crop and livestock prices are strong, more than compensating for lower Government payments.

ARED PEOPLE

National Economy and History Branch

Paul Sundell joined ERS in 1980 as an economist in ERS's Macroeconomics section. During the early years of his stay at ERS, Paul researched and published studies on the relationship between inflation and interest rates as well as model and forecast agricultural interest rates. Paul also wrote situation and outlook articles on the macroeconomic outlook, trends in agricultural interest rates, and the impacts of financial deregulation on agricultural interest rates.



Paul Sundell

After completing a cooperative agreement at Penn. State from January 1986 through mid 1988, Paul returned to ERS. Since his return, Paul has worked on developing macroeconomic interest rate forecasting models and taken graduate finance courses at the University of Maryland. Paul recently published a detailed staff report on forecasting the federal funds rate.

Paul is currently working on examining differences in short-term loan rates for nonagricultural and agricultural

loans at small and large commercial banks. Upon completing this project, Paul plans on working with **Mark Denbaly** on estimating returns to agriculture using an equilibrium financial asset pricing model. In the future, Paul hopes to apply macroeconomic and financial theory to agriculturally related research projects.

Paul was born and raised in northwestern Pennsylvania. He received a B.S. in economics from Penn. State in 1977. He received an M.A. in economics in 1981 and an M.S. in finance in 1989 also from Penn. State. Paul has always enjoyed sports and the outdoors. He especially enjoys participating in tennis, softball, weight training, and basketball. On vacations he enjoys visiting the forests and mountains of Pennsylvania and the Delaware shore.

ARED is a meeting place for people with many backgrounds. The resulting mixture flavors our everyday office environment. A Louisiana flavor comes from **Linda Felton** who relocated from her native Louisiana to the

Metropolitan area in 1972. Once here, she met and married her husband of fifteen years. They have a beautiful eight year old daughter named Anaissa.

Ms. Felton joined ARED in September, 1988 as a secretary in the National Aggregate Analysis Section, NEH where she continues to develop the professional skills that will eventually lead her to a much higher level.

Having helped with three staff papers already released this year, an **AER** and another staff paper in the works, Linda is somewhat of the Division veteran on the Information Division's Publication Standards.

Away from ARED, she enjoys cooking, and is setting up her own catering service. She also enjoys bowling, roller skating, participating in all her church activities, and spending good quality time with her family.

Farm Sector Financial Analysis Branch

Cheryl Johnson is an Economist for the Farm Sector Financial Analysis Branch. She joined ERS in 1986 as an Economic Assistant, while studying to receive her B.B.A degree from George Washington University, where she recently graduated. Cheryl enjoys working in the Farm Income Estimation Section because the projects are diverse and challenging.

In addition to her full-time employment at ERS, Cheryl has proceeded with her entrepreneurial instincts by

marketing and designing tie-dyed t-shirts, shorts and scarfs. She sells her products on the weekends at various flea markets throughout the metropolitan area. She hopes to start an arts and crafts business, within a year, with her friend Angela, who does floral arrangements.

She is looking forward to spending some time this summer sightseeing, bicycling, and relaxing!



Cheryl Johnson

Farm and Rural Economy Branch

Alex Majchrowicz joined ERS in January 1980 as an agricultural economist in Resource and Technology

Division's Land Branch.

Originally hired on a temporary, student appointment while he completed his M.S. in Agricultural and Resource Economics at the University of Maryland, Alex worked in the Land Branch for 7 1/2 years before coming to ARED in 1987. More recently, Alex transferred to the Agriculture and Community Linkages Section as the Rural Business and Government

Branch was absorbed at the end of 1989.

Alex has worked on a variety of topics during his ERS career. While in the Land Branch, he coauthored the annual report to Congress on foreign investment in agricultural land, investigated the use of public records as sources of land value data, and developed and implemented a survey to measure transfer rates of rural land. Alex has concentrated on nonmetro employment since moving to ARED, first developing a series of reports on the changing patterns of employment in nonmetro industries. He is presently determining employment estimates for agriculturally related industries using County Business Patterns data.

Alex hails from Linden, NJ (exit 13 on the turnpike), home of an Exxon refinery, a General Motors assembly plant, Gordon's Gin, and very little agriculture. As a child though, he cultivated the lower 40 -- a 5' x 8' backyard garden that yielded a cornucopia of tomatoes, beans, cucumbers, and the like -- which apparently started his

agricultural career. He continues his gardening today in Olney, MD, with his wife, Terri, and two children, Nathan and Marie. Other than keeping up with household chores, fourth and first grade school projects, and working Saturdays as a sales associate for Long Fence Co., Alex enjoys his discretionary time relaxing around the house.

Finance and Development Policy Branch



Gwendolyn Coleman

Gwendolyn A. Coleman, is Branch Secretary to the Finance and Development Policy Branch. She joined ERS in January 1985.

Gwen was born in Washington, D.C. though she currently resides in Southern Maryland where she partakes of a rural lifestyle that is also very close to the sea. She recently became a mother, and with her son Don commutes to town everyday. (Editors note: I'd say

Supermom because Gwen gets up long before you or I or even the sun does to make the fifty mile trek!) Although she enjoys being a mom, it's become a real challenge being able to raise a child and manage a career. Gwen enjoys gardening and sewing when she has free time.

Human Resources and Industry Branch

Alan Bird is an economist in the Rural Employment Section. He entered ERS as Leader of Rural Renewal and Development, has held many posts in USDA, the U.S. Department of Commerce, the private sector, at eight universities and colleges, and has served as a consultant to States, agencies and commissions. He recently published an article in *Choices* magazine on the future of the nation's heartland. He is presently exploring what he terms "the last agricultural revolution" and hopes to flesh out this

study in the next year. He also continues to teach, his "first love."

Alan has five degrees from three countries, including a Ph.D. from Michigan State University, and continues his studies as a "professional student." A former Fulbright scholar, he has travelled on five continents. A past

President of the Society of Government Economists, he is centrally concerned with the relevance of economics to public policy and improved life-styles.

Alan and his wife, Carolyn, live in Fairfax County, VA where they have raised four children and are active in civic, youth, and church affairs. Among other things, Alan has been appointed a member of the county's Advisory Committee on Community Improvement. He loves to walk and to play tennis.



Alan Bird

EDITOR'S NOTES

After a long and difficult struggle WordPerfect finally succumbed in our test of wills and allowed me to deliver to you this first edition of the *ARED Newsletter*. It put up a valiant effort but with help from the likes of ex-editor Chris McGath, photo and layout specialist Carolyn Riley, DSC personnel Joan Donoghue and Hugh Ferguson and Branch secretary Pat Saunders, WP in all its versions didn't stand a chance. A special THANKS! to all involved.

Bill E.

LIST OF PUBLICATIONS

Rural Conditions and Trends pp. 4, 5, 12, 23.
Rural Development Perspectives pp. 5, 6, 8, 13, 16, 18.
The Rural Economy and Rural Youth: Challenges for the Future, p. 5.
A Hard Look at USDA's Rural Development Programs, p. 7.
A Simple Empirical Model of Macroeconomic Effects on Agriculture: An Asset Market Approach, p. 7.
Droughts Influence Settlement Patterns, Both Yesterday and Today, pp. 8, 18.
Century of Service, p. 9.
Terms of Trade and Factor Commitment in Agriculture, p. 9.
The Journal of Agricultural Economics Research, pp. 9, 11.
Poultry Related Price Transmissions and Structural Change Since the 1950's, p. 9.
U.S. Canada Corn Broiler Dynamics, Agricultural Outlook, pp. 9, 14.
FATUS, p. 10.
An Examination of Federal Reserve Behavior: An Applied Reaction Function Approach, p. 10.
The Specification, Estimation and Simulation of a Small Global Macroeconomic Model, p. 11.
Dynamic Specification in Econometric Estimation, p. 11.
Agricultural Income and Finance and Outlook Report, pp. 12, 13, 14.
Rural Finance: Condition and Trends, p. 12.
Rural Bond Issues Weather Tax Reform, p. 13.
Farm Financial Stress and Farm Exits in the 1980's, p. 14.
Trends in Agricultural Interest Rates, p. 14.
Recovery Slows For Farm Lenders, p. 14.
Farmer Mac Ready to Go, p. 14.
Payments Cut Credit Demand?, p. 14.
Rural Development Strategies Report p. 16.
Nonmetro Retirement Counties' Strengths and Weaknesses pp. 16, 26.
Local Revenue Diversification: Rural Economies, pp. 16.
Nonmetropolitan Nonprofit Organization in Ohio: Responding to Changes in the 1980's, p. 16.
Rural Development: Strategies that Work, p. 17.
Policy Studies Journal, p. 17.
An Analysis of the Recent Surge in Consumer Debt in Rural Areas, p. 18.
Rural Consumer Debt: Is Recent Growth A Problem?, p. 18.
Prospective Rural Effects of Bank Deregulation, p. 18.
Rural Nonfarm Businesses' Access to Debt and Equity Capital, p. 18.
Deregulation and the Structure of Rural Financial Markets, p. 18.
The Farming Sector Entering the 1990's, p. 19.
Structural Change in Farming and Its relationship to Rural Communities, p. 19.
Farmers are Part of American Mainstream, p. 19.
Choices, pp. 19, 28, 30.
1990 Yearbook on People of American Agriculture, p. 20.
Nonfarm Employment of Farm Operator, Hired Farmworkers, and Unpaid Farmworkers, p. 20.
Estimating Farm Labor Elasticities To Analyze The Effect of Immigration Reform, p. 20.
Wall Street Journal, p. 22.
A Taste of the Country, p. 22.
Jobs and Earnings in Nonmetro Industry 1987, p. 22.
The Elderly and Their Sources of Income: Implications for Rural Development, p. 22.
Rural Development Research Report, pp. 22, 23.
The Family Support Act: Will It Work in Rural Areas?, p. 23.
The Nonmetro Employment Situation, p. 23.
Survival and Growth Rates of Independent Firms and Affiliates in Nonmetropolitan and Metropolitan America, p. 23.
Farmline, p. 23.
The Product Cycle and High Technology Industry in Nonmetropolitan Areas, 1976-80, p. 23.
Review of Regional Studies, p. 23.
Retention and Expansion of Existing Business: Theory and Practice in Business, p. 24.
Business Expansion and Retention in the Great Lakes States, 1976-1980's, p. 24.
Workforce 2000, p. 25.
Employment Outlook, p. 25.
Rural Urban Continuum Codes for Metro and Nonmetro Counties, p. 26.
AIB 597, pp. 26, 28.
Farm Cost and Returns Survey, pp. 27, 28.
Census of Agriculture, p. 27.
The Agricultural Economics and Land Ownership Survey, p. 27.
Agricultural Outlook, p. 28.
Economic Indicators of the Farm Sector, p. 28.
AER, p. 28.

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